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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 6028/S. 2836

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

Part 1—(Pages 1-1217)

Action
Corporation for Public Broadcasting
Department of Education
Department of Labor
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
National Commission on Libraries and Information Science
National Labor Relations Board
National Mediation Board
Occupational Safety and Health Review Commission
Railroad Retirement Board
U.S. Soldiers' and Airmen's Home

Printed for the use of the Committee on Appropriations

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, FEBRUARY 28, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Rudman, and Burdick.

ACTION

STATEMENT OF THOMAS W. PAUKEN, DIRECTOR

ACCOMPANIED BY:
BETTY BRAKE, DEPUTY DIRECTOR
LOWELL B. GENEBACH, JR., BUDGET OFFICER

CHAIRMAN'S OPENING REMARKS

Senator WEICKER. Good morning.

Today we are beginning our hearings on the fiscal year 1985 Labor, Health and Human Services, Education and related agencies appropriations requests.

This subcommittee will be reviewing appropriations requests totaling $97.1 billion for fiscal 1985, which compares to $104.8 billion enacted for fiscal 1984. Of the amount requested, $68.1 billion is for entitlement programs where spending is mandated by provisions of law.

For discretionary programs, $29 billion is requested, compared to $33.3 billion appropriated in fiscal 1984.

Over the next several weeks these hearings will provide the opportunity to examine in detail the impact of specific budget requests on literally hundreds of individual programs under the subcommittee's jurisdiction.

This morning we will hear testimony from five of our so-called related agencies: ACTION, the Corporation for Public Broadcasting, the Mine Safety and Health Review Commission, the National Commission on Libraries and Information Science, and the Soldiers' and Airmen's Home.

I want to thank Senator Rudman. I was originally scheduled to testify before the Connecticut State Legislature this morning, and because of the weather that has been postponed. Senator Rudman was kind enough to agree to open these hearings at 8:30 and conduct them on behalf of the subcommittee, and I would like to thank him for his willingness to do so.

Senator RUDMAN. Well, actually, Mr. Chairman, I would have gone to New Hampshire last night anyway, but I couldn't get a hotel room. [Laughter.]

Senator WEICKER. I think it's also safe to say that all the witnesses and all the agencies would have been better off if Senator Rudman chaired this hearing. He's much kinder than the Senator from Connecticut. [Laughter.]

In any event, our first witness is Thomas Pauken, Director of ACTION.

Welcome, Mr. Pauken. Please introduce your associates and proceed as you wish.

PREPARED STATEMENT

Your prepared statement, and this holds true of all those who are going to testify, will be included in its entirety in the hearing record. You might all want to go ahead and synopsize so we can get to the give and take, which I think is more meaningful.

[The statement follows:]

STATEMENT OF THOMAS W. PAUKEN

Mr. Chairman, it is a pleasure to be with you today to present the Fiscal Year 1985 Budget for ACTION, the Federal Agency responsible for supporting the volunteer activities of more than 400,000 citizens throughout the United States. We are requesting an appropriation of $120,217,000 for FY 1985.

As Director of ACTION, I am increasingly impressed by the ability and willingness of the American people to solve the problems of their communities at the local level. Citizen participation is more crucial than ever in regenerating the spirit of self-reliance throughout our nation.

ACTION's programs recognize that the desire to contribute to the well-being of others is an admirable characteristic of Americans. Following President Reagan's lead, we are committed to the principle that the individual can make a difference. Our programs offer citizens the opportunity to utilize creatively their skills and experience in a manner that truly benefits our society.

ACTION's volunteers contributed approximately $350 million worth of direct services to their communities last year, an amount almost three times the Agency's annual budget. This estimate is based on the number of hours, valued at an average hourly rate, contributed by our volunteers. What cannot be measured, however, is the dollar saving to the community of even one young person who gives up drugs or the economic impact of the individual who improves his employability as a result of having learned to read and write through the efforts of volunteers.

Neither do we know the precise amount of contributions from local, state, and private sources attributable to volunteer efforts. And we could only speculate on the expenditure of public dollars that otherwise would have been necessary to provide services.

Who would even try to place a monetary value on one family restored?

In 1985, ACTION, through the Older American Volunteer Programs will continue to address a variety of social concerns by matching the time, wisdom, and energy of mature, experienced, and skilled people with community and individual needs.

Foster Grandparents will provide personal assistance to children with mental, physical, and emotional disabilities including those who are abused, neglected, or incarcerated.

Retired Senior Volunteers will serve more than 61 million hours in diverse areas of youth services, literacy, health care, crime prevention, refugee assistance, and housing rehabilitation.

Senior Companions will perform a critical role in long term care, assisting adults with mental, emotional, and physical impairments to help them manage their lives independently.

Beyond the remarkable accomplishments of the Older American Volunteer Programs, we have put our emphasis on the expansion of opportunities for service at the local level by non-stipended part-time volunteers, where our experience tells us we get the best return on our investment. We are proposing a phase-out of VISTA based on our assesment that VISTA volunteers are less cost-effective than non-stipended volunteers.

In 1985, ACTION will expand its partnership with parent groups, schools, religious institutions, corporations, local volunteer programs, state and local governments, and other organizations that actively share our concern for youth. We will maintain our emphases on drug use prevention, literacy enhancement, runaways, refugees, and support for private sector voluntarism.

In the area of Service-Learning, our National Center will build on its fourteen years of experience, supporting seminars and workshops, and providing technical assistance to those who develop and run student volunteer programs. In the last full fiscal year, 1983, the National Center for Service Learning conducted twenty workshops, six seminars, provided seventy-five on-site consultation visits, four literacy forums and answered an average of one hundred inquiries a month for technical assistance

to organizations that want to start, expand, or improve community programs which use student volunteers.

Young people between the ages of 14 and 22 will be encouraged to make a contribution to their communities through service in the Young Volunteers in Action (YVA) Program. Through YVA, youth enrolled in secondary, vocational, or post-secondary schools form a personal sense of civic pride and self-worth and have the opportunity to explore career options by their volunteer service.

The Office of Volunteer Liaison plays an important role in developing the full potential of citizens' initiatives through support and assistance to public, private, and community-based efforts. These activities include State Offices of Voluntary Citizen Participation, the Mini-Grant Program, and the Technical Assistance Program.

During 1985, the Volunteer Demonstration Programs will address areas of human and social concern where citizens, as volunteers, can contribute toward individual self-sufficiency and community self-reliance, particularly in the fields of drug use prevention, literacy enhancement, and runaway youth.

We have had notable success combating drug use by supporting organizations of parents and youth who have made a serious commitment to make their communities drug free. For example, we have assisted PRIDE and Families in Action, two nationwide sources of technical assistance on drug use prevention. And we have been instrumental in helping McNeil Pharmaceuticals initiate and implement Pharmacists Against Drug Abuse, a nationwide program that provides information to communities through their pharmacies. Also, since 1981, and including projections for FY 1984, ACTION will have supported twenty state-wide networks for parent and youth groups whose primary purpose is the prevention of drug use through education and peer example.

In 1985, ACTION will maintain its support of the production and dissemination of technical assistance information on the

formation of parent and youth groups and the most recent data on the health consequences of drug use.

When we came to ACTION in 1981 we asked ourselves: "What initiatives on our part would really make a difference and where could the private citizen truly make a contribution to our society?" I believe that our programs are a response to that question and that we have been able to accomplish a great deal with a modest budget. Our goals for FY 1985 revolve around a consistent theme of encouraging and supporting self-reliance among the volunteers and the people they serve.

INTRODUCTION OF ASSOCIATES

Mr. PAUKEN. Thank you, Mr. Chairman.

I would like to first begin by introducing to my immediate left Mrs. Betty Brake, who is the Deputy Director of the ACTION agency, and to my immediate right Lowell Genebach, who is the Budget Officer for the ACTION agency.

In light of the fact that there will be a number of individuals and agencies testifying this morning, I will try to keep my opening remarks to a very brief overview of where ACTION is and what the administration proposal is relative to the 1985 budget.

We are pleased to present today the fiscal year 1985 budget for ACTION, which is the Federal agency responsible for supporting the volunteer activities of more than 400,000 citizens throughout the United States. Our request is for an appropriation of $120,217,000 for fiscal year 1985.

I think the ACTION programs for encouragment of volunteer activities have been very successful, particularly in recent years, and I think they promote and recognize the desire and the courage of citizens who give freely of their time and talent and serve as a catalytic force with regard to voluntary activities in this society.

Our ACTION-related volunteers contributed approximately 350 million dollars' worth of direct services to their communities just last year, an amount almost three times the agency's annual budget. So I think this illustrates that these programs are an excellent example of how Federal money has an expansionary effect in terms of its impact. It's a little bit like throwing a pebble in a lake. The rippling effect upon the communities is truly remarkable in so many ways, not just from a dollar amount.

In 1985 our principal programs will continue to be the older American volunteer programs which address a variety of social concerns by matching the experience and wisdom of our older Americans, particularly retired individuals, with those in our society who have special needs.

Foster grandparents do a tremendous job working with children with special needs, particularly those who are physically handicapped and/or mentally retarded, as well as those who find themselves involved in the juvenile justice system. They will continue to do an outstanding job in providing role models and meaningful, loving one-to-one relationships to their grandchildren.

Our retired senior volunteers will serve more than 61 million hours in diverse areas of youth services, literacy, health care, crime prevention, and refugee assistance, as well as housing rehabilitation.

Senior companions will continue to fill a very critical role in long-term care.

I noted in the paper this morning, Senator Rudman, that one of the candidates in New Hampshire seemed to indicate there was not a home health care program in place in this country. Over 80 percent of the service of our senior companion program volunteers is involved in ena-

bling infirm elderly to be able to stay in their own homes rather than to be forced into an institutional setting. It's interesting that under this administration we have continued that program and are seeking to expand that principle of encouraging people to be able to stay in their homes rather than be forced into nursing homes, when with a little bit of help they can stay in their homes or in their apartments.

We've also been encouraged by the willingness of people to get involved in a major initiative that we have undertaken—drug abuse education and prevention. We're involved in a program called pharmacists against drug abuse, which has principally been in New England and will be expanding this year throughout the United States with the help of McNeil Pharmaceutical and other pharmaceutical companies as well as independent and chain drugstores.

The major thrust of this initiative throughout the country is to provide up-to-date scientific information, technical information, and technical assistance for parents and young people for drug abuse education and prevention through their local pharmacies.

Recent statistics, particularly the University of Michigan survey, show that there has been a declining use among young people of illegal drugs, and I think that this program, along with our program in association with the International Elks and with parents movements throughout the country, have helped to provide young people with the kind of information and knowledge of the pitfalls of the drug culture, which hopefully is having a significant impact in pulling young people away from drug abuse.

We have a number of other initiatives: Young volunteers in ACTION, VISTA volunteer involvement with food banks throughout the country, and the National Center for Service Learning. But most of that information is provided in my testimony; and again, in light of the chairman's comments at the opening of the session, I would like to conclude my remarks at this time and respond to any questions the chairman or Senator Rudman may have.

Senator WEICKER. Thank you.

Senator Rudman.

Senator RUDMAN. I don't have any questions of this witness, Mr. Chairman.

Senator WEICKER. I notice in your statement you indicate two programs:

"Foster grandparents will provide personal assistance to children with mental, physical, and emotional disabilities including those who are abused, neglected, or incarcerated."

And then "senior companions will perform a critical role in long-term care, assisting adults with mental, emotional, and physical impairments."

What were last year's funding levels and what are this year's funding levels for those two specific programs?

Mr. PAUKEN. The proposed funding levels for those two specific programs continue at the same level, $48,400,000 for the foster grandparent program and $12,016,000 for the senior companion program. In addi-

tion, the States are now contributing approximately $17 million in total for all three older Americans programs over and above the Federal funding of these programs.

Senator WEICKER. What is the inflation factor that the administration has built into this budget for fiscal year 1985?

Mr. PAUKEN. We have not built in an inflation factor.

Senator WEICKER. I know. But the administration is assuming what inflation rate?

Mr. PAUKEN. Approximately 3 to 5 percent, I think, is the general figure.

Senator WEICKER. So in effect, then, we can say that in both the foster grandparents and senior companions programs there is a 3- to 5-percent cut. Is that right?

Mr. PAUKEN. Not really, at least not in terms of the benefits received by the volunteers. If you consider that the people who are involved in the program who are low-income elderly, they will continue to receive their social security, which will be increased by a cost-of-living index. The total amount they receive for social security plus their stipend from the program is not cut.

Senator WEICKER. Let me say this. You say in your overall description here in fiscal year 1985, 389,200 volunteers aged 60 and older will serve in the older American volunteer program, an increase of 11,000 volunteers over fiscal year 1984. How do you make that assumption?

Mr. PAUKEN. That increase will come from the retired senior volunteer program. These are not stipended volunteers, and their numbers have increased every year under our administration. The basic administrative costs are taken care of with regard to RSVP; it is not a significant problem to expand that program. In addition, RSVP has substantial private sector support.

Senator WEICKER. I know one thing, it will be the intention of the chairman to substantially increase funding for both foster grandparents and the senior companions. And I will tell you why. There is just no question about the fact that these people giving the attention to those that they are taking care of, that it is way beyond anything that any paid person does. It becomes their whole life and it makes the difference between life and a living death, if you will, for those in their care. Now we're not going to have these 3- to 5-percent cuts. I'm using the administration inflation assumption as a cut, and if there was ever an area where you are getting far more in terms of service, in terms of effect, it is this particular area.

Mr. PAUKEN. I couldn't agree with you more.

Senator WEICKER. I don't know how many of you in this room have ever had the opportunity to visit the mental hospitals and see these volunteers, see these older people work with other human beings that nobody else will touch, but I will tell you, it would make your heart glad as to the condition of at least that portion of our humanity in this country.

Senator RUDMAN. I just want to join the chairman's remarks. I couldn't agree with you more.

PLANS FOR VISTA

Senator WEICKER. You are requesting again that VISTA be terminated. Yet recent legislation in both Houses would reauthorize VISTA at a minimum of $15 million. A conference on this legislation is going to be held next week.

In your opinion, will the President veto the bill because of the VISTA authorizing level?

If not, do you intend to amend your budget request for VISTA to reflect the new authorized level?

Mr. PAUKEN. I can't at this time, Mr. Chairman, speak for the administration. I think that there is a concern in terms of priorities that from a cost-effectiveness standpoint that retired senior volunteers, foster grandparents, and senior companions are far more effective programs. I do think that at a certain level of VISTA funding the administration might actually consider a veto. We believe we can live with the current level of $11.8 million as we have done in the past. If Congress mandates that VISTA funds are provided, we try to put them in the most productive use. In fact, we are currently funding 96 food banks around the country, a major initiative which was not done under VISTA a few years ago.

But once you reach a certain level, perhaps a good bit higher than the $11.8 million figure, I think we would have a problem there in terms of recommending, or the administration signing the bill.

Senator WEICKER. Does the fiscal year 1985 budget include $11.8 million?

Mr. PAUKEN. The proposal for VISTA for fiscal year 1985 is $5.8 million. I was using $11.8 million as the current figure we are operating under. I think the administration is comfortable with that figure. It obviously had a disagreement with the level based upon its submission versus Congress' determination, but we have been able to be comfortable with that figure and continue to fund VISTA at that level.

EXPANSION OF SENIOR COMPANION PROGRAM

Senator WEICKER. Both the House and the Senate bills establish an in-home health care component as part of the senior companion program at an authorized level of $12 million.

Do you plan to submit a budget request to fund this program once the new authorizing legislation becomes law?

Mr. PAUKEN. That would be something that we would have to consult with OMB on, with regards to whether there would be a separate funding request. I do know that the administration is very strongly in favor of expansion of the home health care initiative, and I think that, quite frankly, HHS and some of the other departments might be available for this expansion with interagency agreements. We believe in it at this time. I cannot tell the committee that OMB or the administration

would submit additional budget requests once that authorization is enacted.

RECYCLING

Senator WEICKER. Are the older American volunteer programs operating at an annualized funding level above the fiscal year 1984 continuing resolution appropriations?

Mr. PAUKEN. Yes, Mr. Chairman, for nearly 10 years we have labored under a recycling problem due to shortfalls in funding. That funding shortfall between 1980 and 1981 was approximately $3 million, and it remains at the same level in fiscal year 1984. So there is a definite problem.

Senator WEICKER. My staff estimates that $4 million would be sufficient to correct the short cycling problems. Is that correct?

Mr. PAUKEN. That's correct.

Senator WEICKER. I would appreciate your providing for the record a breakdown of how that money would be allocated.

Mr. PAUKEN. We would be happy to provide that.

[The information follows:]

FULL FUNDING FOR OAVP

In order to fully-fund our older American volunteer programs and eliminate recycling in fiscal year 1984, we would need a total of $3.1 million in additional funds: $1.5 million for the senior companion program, $1.3 million for the foster grandparent program, and $300,000 for the retired senior volunteer program.

YOUNG VOLUNTEERS IN ACTION PROGRAM

Senator WEICKER. The young volunteers in ACTION program was initiated in fiscal year 1981. ACTION was to provide 2 years of seed money for these locally initiated projects.

To date, how many of the 75 projects funded in fiscal year 1981 and fiscal year 1982 have become independent of Federal support?

Mr. PAUKEN. There are only 12 programs that were initially funded which have gone through the 2-year cycle. It is my understanding that 9 of those 12 programs have continued in either the current form or similar form. Some of the others will be coming up shortly, but they are not there at the moment.

Senator WEICKER. You say 9 out of the 12?

Mr. PAUKEN. Nine out of twelve.

Senator WEICKER. Nine out of the twelve have indicated they are going to continue to operate?

Mr. PAUKEN. That is right. It was our idea that the YVA grants would be seed money to get the program going and that hopefully local support would develop for good programs after the 2-year Federal funding ended.

REQUEST FOR PROGRAM ADMINISTRATION

Senator WEICKER. ACTION is still operating under the congressional directive that all field offices be kept open, that all State directorships be filled, and that a complement of 525 full-time equivalent positions be maintained.

How can these directives be accomplished when, according to your fiscal year 1985 request, you are reducing the amount for program support by $2.8 million?

Mr. PAUKEN. The assumption underlying the program support reduction is the phaseout of VISTA as well as a reduction—which we hope would come about by attrition—of our staff to a figure of approximately 455. Obviously that creates some difficulties for us, but we do believe that it can be accomplished without closing or consolidating State offices per the congressional mandate.

Senator WEICKER. If Congress refuses to terminate the VISTA program, is last year's appropriation of $25.8 million for program administration sufficient to support current program levels for your agency?

Mr. PAUKEN. I would think that would be sufficient, Mr. Chairman, for current staff and program levels. However, it would not support a staff of 525.

QUESTIONS SUBMITTED BY SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record.

Senator Rudman, do you have any questions?

Senator RUDMAN. No; no questions.

Senator WEICKER. Thank you very much.

I am going to change the order. Senator Rudman does have to go up to New Hampshire. As I said, he was most courteous in agreeing to handle this whole hearing. What I would like to do is take out of order the Soldiers' and Airmen's Home, which is a situation that the Senator has expressed special interest in and indeed has given his personal attention to. This should be very brief, and then we can get to the Corporation for Public Broadcasting.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question: You estimate that ACTION's 400,000 volunteers generate more than $350 million worth of direct services to consumers. What proportion of the $350 million is generated by full-time versus part-time volunteers?

What proportion of this $350 million is generated by VISTA Volunteers?

Answer: Of the $350 million worth in direct services generated in FY'83, $12 million, or 3%, was generated by full-time VISTA Volunteers. The remaining $338 million, or 97%, was generated by the part-time volunteer programs Foster Grandparents, Senior Companions, Retired Senior Volunteers, Young Volunteers in ACTION, and the Fixed Income Counseling Program.

OLDER AMERICAN VOLUNTEER PROGRAM

Question: What has been the trend in the cost of supporting the Older American Volunteer programs on a per-volunteer basis? Do you agree that these programs are cost effective?

Answer: The gradual decrease in average annual federal cost for an RSVP volunteer has reached $81. For the Foster Grandparent Program and the Senior Companion Program, the average Federal cost per volunteer has been approximately $3,000 annually since 1980, the year following stipend and transportation increases.

We certainly agree that these Programs are most cost-effective. For example, in SCP, an acute care hospital with Senior Companions serving patients being discharged reported that 46% of the clients served by Senior Companions would have been discharged to nursing homes without Senior Companion service. These patients have orthopedic, heart or stroke conditions. With Senior Companion assistance, they were able to remain in their homes at a great savings. This type of savings is replicated across the country in other Senior Companion Program and Foster Grandparent Program projects.

If we were to use the federal minimum wage as a measure of the worth of services contributed, although in many instances this would be a serious undervaluation, RSVP delivers $7.50 for every federal dollar spent. This does not take into account the personal gains to the senior volunteers and others in their community.

Question: Given the fact that the President has stressed the importance of volunteerism as a prime method of reducing the cost of Government programs, why are you not asking for an increase in funding for the Older American Volunteer Programs?

Answer: ACTION has discussed the issue with OMB and the decision has been to continue level funding of the Older American Volunteer Programs.

Question: To what extent are ACTION volunteers meeting the needs of community projects that have lost CETA employees or have experienced funding reductions as a result of recent cuts in the Federal budget?

Answer: Part C Demonstration Grants are used to show how and where volunteers can be used effectively, for seed money to start-up promising volunteer efforts, and to provide technical assistance.

The ACTION Demonstration Grant to the National Youth Work Alliance enabled it to train runaway shelter personnel to expand their use of volunteers. This made it possible for the centers to maintain their level of services despite diminished federal and local government financial support.

A Demonstration Grant to Covenant House in New York, enabled it to prepare a technical assistance paper on alternatives to institutional settings for the emergency care of youth. It recommended that communities adopt a host or interim-home model that provides temporary shelter for youngsters referred by the court. This alternative to institutionalization results in substantial savings to local agencies.

The Demonstration Grant awarded to the National Center for Neighborhood Enterprise in Washington, D.C., supported its effort to identify and convene neighborhood-based organizations. These organizations have successfully addressed community needs such as crime prevention, alternative education, neighborhood enterprise, and day care with less reliance on federal funds.

It is also worth noting that CETA is an employment program whereas the focus of ACTION is on volunteer service. While ACTION programs often meet needs which were provided by CETA, other federal programs, such as Title V programs, address this issue.

YOUNG VOLUNTEERS IN ACTION

Question: How valid was your YVA telephone survey in determining whether YVA is meeting it legislative goals when only 9 out of 75 project directors were interviewed?

Answer: Nine of twelve FY 1981 Project Directors (75%) were interviewed. The number of YVA Project Directors increased to 75 when the FY 1982 grant awards were added. The number of nine was valid for the telephone survey.

Question: Have the volunteer participants and/or project recipients been interviewed?

Answer: Volunteer participants and project recipients were not interviewed in the telephone survey of FY 1981 grantees. The subsequent three case studies included interviews with some of these people. A report on the three case studies will be published in 1984.

Question: Have you assessed the impact these projects have on the volunteers themselves or on the communities where projects are located?

Answer: No impact assessments have been made to date. The value of such assessments is under discussion.

Question: How many projects have been site-visited?

Answer: Three projects have been site-visited by Washington staff as part of the case studies evaluation. Two were FY 1981 grantees and one a FY 1982 grantee. It should be noted that all projects are scheduled to be visited by field staff during the year.

Question: In FY'83 what was the volunteer per hour cost of the Young Volunteers in ACTION program based on actual number of volunteer hours contributed by YVA volunteers?

Answer: Based on the actual number of hours contributed by YVA Volunteers in FY'83, the volunteer per hour cost was $2.97. This does not include the hours contributed by YVA's funded by inter-agency agreements.

Question: How many VISTA Projects and volunteers are currently working on hunger issues? How many are directed toward addressing the problems of the homeless? How many are working on employment-related projects? How many are focused on the need of the handicapped? How many are directed toward addressing the problems associated with alcohol and drug abuse?

Answer: The number of volunteers and projects associated with these problems is noted below. This information is as of 12/31/83.

Area	No. of Vols.	No. of Projects
Hunger	337	98
Homeless	28	11
Employment-Related	155	42
Handicapped Needs	182	44
Alcohol & Drug Abuse	278	65

Question: In FY'83 did ACTION recruit, train and place volunteers evenly throughout the fiscal year? Were 1800 volunteers maintained at all time during the fiscal year? Provide for the record a chart indicating the VISTA placement pattern in FY'83 and the volunteer strength at the end of each month throughout the fiscal year.

Answer: In FY'83, volunteers were not placed evenly over the year. The full year continuing resolution was not passed until mid-December, 1982. We did not place volunteers prior to its passage because the Administration was requesting a phase-out of the program. Following passage of the full-year continuing resolution, we advised regional offices to begin developing volunteer placements and recruiting volunteers. Following is a chart indicating the number of new volunteers placed, and the volunteer end-strength for each month. As can be seen from the chart, 1,800 volunteers were not maintained at all times during the year, although the average strength over the year was 1,728 volunteers.

Month	Vols. Placed	End-Strength
October	--	2,199
November	--	2,070
December	--	1,990
January	--	1,881
February	--	1,788
March	231	1,650
April	199	1,446
May	55	1,370
June	223	1,537
July	184	1,654
August	106	1,650
September	384	1,950

Question: To date in FY'84, how many volunteers have been placed at projects? What are your plans for the remainder of the fiscal year?

Answer: Through February, FY'84, 290 new volunteers have been placed. We expect to place about 23 more in March, 263 in the third quarter and 149 in the fourth quarter.

Question: According to the Congressional Research Service, at the end of fiscal year '83, VISTA's $11.8 million budget supported 1950 VISTA volunteers assigned to 448 projects; however, at the end of FY'84, on a Continuing Resolution budget of $11.8 million, the number of volunteers will drop to 931, and the number of projects will drop to 320. What is the explanation for these reductions? Why are certain regions of the country such as the South going to be devastated

while other regions will enjoy an increase in volunteers?

Answer: Because of certain economies we have effected, the estimated end-strength for FY'84 is approximately over 1,000. The number of projects will be 360 or more. Region IV, which has projected that all its volunteers would be gone by the end of September, now should have about 228 remaining on board at the end of the year.

The Administration is proposing to phase out the VISTA program by the end of FY'85. It is only normal for the number of volunteers to be dropping off as this phase out is accomplished.

Question: In FY'83, why did ACTION -- a domestic agency -- use support budget dollars to send 4 employees to Thailand? What was the purpose of the trip and what were the total costs associated with the trip?

Answer: ACTION has numerous programs working with refugees that have come into the United States. We were looking for training material to show our volunteers something of the experiences that these refugees have had and why they have been forced to come to the United States. An additional goal was to acquaint the volunteers with the problems these refugees would face in resettling into the United States. After an extensive search we could find no such training material and in fact, we could find no body of information that seemed to understand the problems refugees face coming to the United States. It was therefore determied to send a team to refugee camps to first gather information and then to produce training aids. As the greatest concentration of refugees is in Thailand, Thailand was chosen as the location.

The total cost associated with the trip was $20,724.

Question: How many and what type of evaluations of the VISTA program have been conducted since you became Director of ACTION?

Answer: None.

Question: What conclusive data do you have showing that VISTA is not cost-effective? Please provide the Committee with copies of all such evaluations and findings?

Answer: There have been no evaluations of VISTA's effectiveness. The minimal cost-effectiveness of the program is evident when the cost of VISTA, a fully stipended volunteer program, is compared to a non-stipended program such as RSVP. It should be noted that the activities of the two types of volunteers are similar.

RSVP's cost $80-100 per year at $0.47 cents per hour. VISTA's cost $7,125 per year at $3.47 per hour. RSVP's have worked 61 million hours in FY'83 for $27.4 million, while VISTA's have worked 3.4 million hours for $11.8.

Question: Please describe for the record the study relating to the assessment of the role of full-time stipended volunteers in community service that has led you to conclude that VISTA was unworthy of continuation.

Answer: There is no formal study showing the effectiveness of full-time stipended volunteers.

Question: What is the total cost -- including all administrative costs -- on a per hour basis of supporting a VISTA volunteer? How does this compare to ACTION's 2 other part-time stipended volunteer program projects, the Foster Grandparent Program and the Senior Companion Program?

Answer: The average cost for VISTA Volunteers is $3.47 per hour, for Senior Companions is $2.92 per hour, and for Foster Grandparents is $2.82 per hour.

CONSULTANT SERVICES

Question: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for the consulting services.

How do these amounts compare to FY'84 amounts for consulting services?

Answer: I refer the Subcommittee to pages 19 through 22 of our budget request, which I am submitting at this point for the record. This table shows actual fiscal year 1983 obligations as well as estimates for fiscal years 1984 and 1985. While the title of this exhibit indicates that it includes contracts in excess of $25,000, the table is all-inclusive, since very seldom is the task turned over to consultant contractors, one which can be completed for less than $25,000. You will notice that the amount requested for fiscal year 1985 is $291,275 less than the fiscal year 1984 estimate.

The Agency relies on contractual consulting services mostly to provide the technical expertise necessary to conduct program evaluations and financial audits, although occasionally we use a consultant contractor for short-term management systems reviews as well. If we did not have access to the audit and evaluation contractors we use, we would be faced with either foregoing a substantial number of the audits and evaluations we now use to assess the effective-

ness of our programs or hiring and keeping on board a significant number of additional staff, which we feel would be a less cost-effective approach to these activities. As it is now, each of our core in-house audit and evaluation professionals can serve as project manager on several contracts at the same time, providing guidance and feed-back to consultants and assisting with liaison with program or management staff. This arrangement also makes it possible for on-board staff to take on short-term as-needed audit and evaluation projects without adversely affecting the course of long-term studies. We feel that this method of operation gives the Agency the most for its money in both the use of staff and the quality of the studies produced.

OPERATING EXPENSES, DOMESTIC PROGRAMS

REPORT OF CONSULTANT CONTRACTS IN EXCESS OF $25,000 a/

FY 1983 through FY 1985

Contract Purpose or Activity	Contractor's Name	Contract Amount and Estimated Completion Date	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
SCP Impact Evaluation - Phase III	SRA Technologies, Inc. 801 S. Highland St. Arlington, VA 22204	$ 141,397 b/ (2 yr. total starting FY 1983; work to be completed FY 1984)	$119,397	$ 22,000	---
Impact Evaluation of FGP on the Foster Grandparents - Phases II & III	Litigation Support Services, Inc. 421 Butternut St., N.W. Washington, DC 20012	$ 107,394 c/ (3 yr. total starting FY 1982; work to be completed FY 1984)	$ 72,851	$ 8,000	---
Impact Evaluation of Long-Term Care Demonstration Research Projects (RSVP & SCP)	Arawak Consulting Corp. 210 East 86th Street New York, NY 10028	$ 89,278 b/ (2 yr. total starting FY 1983; work to be completed FY 1984)	$ 55,898	$ 33,380	---
National RSVP Participant Impact Study	Booz-Allen & Hamilton, Inc. 4330 East-West Highway Bethesda, MD 20014	$ 525,800 d/ (5 yr. total starting FY 1981; work to be completed FY 1985)	$146,301	$150,000	---

a/ All financial audits are listed regardless of the amount.
b/ Funded with SCP program funds and interagency agreement funds from the Department of Health and Human Services.
c/ Funded with FGP program funds and interagency agreement funds from the Department of Health and Human Services.
d/ Funded with RSVP program funds through FY 1983. FY 1984 activity to be funded through interagency agreement with the Department of Health and Human Services.

Contract Purpose or Activity	Contractor's Name	Contract Amount and Estimated Completion Date	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Impact Evaluation of RSVP and FGP Volunteers Working with Head Start Programs	To be determined	$ 75,000 e/	—	$ 75,000	—
Financial Audit of OAVP Projects Region X	Branch, Richards, Anderson & Co. 216 First Avenue South Seattle, WA 98104	$ 44,800 June 30, 1984	$ 44,800	f/	f/
Financial Audit of OAVP Projects Region I	Daniel Dennis & Co. 47 Winter Street Suite 700 Boston, MA	$ 50,800 June 30, 1984	$ 50,800	f/	f/
Financial Audit of OAVP Projects Region VIII	Fernandez & Associates 244 Washington Street Denver, CO 80203	$ 71,000 June 30, 1984	$ 71,000	f/	f/
Financial Audit of OAVP Projects Region IV	Garrett, Sullivan & Co. P.O. Box 1029 Durham, NC 27702	$ 37,000 June 30, 1984	$ 37,000	f/	f/
Financial Audit of OAVP Projects Region V	Hill, Taylor & Co. CPA 180 North LaSalle Street Chicago, IL 60601	$ 58,800 June 30, 1984	$ 58,800	f/	f/

e/ Funded entirely with interagency agreement funds from the Department of Health and Human Services.
f/ In both FY 1984 and FY 1985 approximately $600,000 will be obligated for contracts with CPA firms in all nine regions to perform financial audits of 168 OAVP, VISTA, and VVLP projects. The assumption is that most of these contracts will be in excess of $25,000 and many of them will be with CPA firms currently under contract with ACTION.

Contract Purpose or Activity	Contractor's Name	Contract Amount and Estimated Completion Date	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Financial Audit of OAVP Projects Region II	Lucas, Tucker & Co. 26 Broadway - Room 529 New York, NY	$ 18,850 June 30, 1984	$ 18,850	f/	f/
Financial Audit of OAVP Projects Region III	Terry, Johnson & Co., Inc. Jonnett Bldg., Suite 400 4099 William Penn Highway Pittsburg, PA 15146	$ 55,700 June 30, 1984	$ 55,700	f/	f/
Financial Audit of OAVP Projects Region VI	Ned R. Rosario & Company CPA 700 Ridglea Bank Bldg. Ft. Worth, TX 76116	$ 54,200 June 30, 1984	$ 54,200	f/	f/
Financial Audit of OAVP Projects Region IX	Quezada Navarro & Co. 1010 South Flower Street 5th Floor Los Angeles, CA 90015	$ 64,300 June 30, 1984	$ 64,300	f/	f/
Financial Audit of Group Hospitalization Inc. Region III and OAVP Projects Region II	Quezada Navarro & Co. 1010 South Flower Street 5th Floor Los Angeles, CA 90015	$ 79,895 March 31, 1984	—	$ 79,895	f/

Contract Purpose or Activity	Contractor's Name	Contractor Amount and Estimated Completion Date	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Study of Effectiveness of ACTION's Office of Financial Affairs/ Comptroller	Washington Consulting Group, Inc. 1625 Eye Street, N.W. Washington, DC 20006	$ 29,953 February 29, 1984	$ 29,953	---	---
		All consultant contracts g/	$879,850	$968,275	$600,000
		Funded through interagency agreements	- 249,000	- 77,000	---
		ACTION-funded contracts	$630,850	$891,275	$600,000

g/ Totals for FY 1984 and FY 1985 include estimates of $600,000 for financial audits.

Question: Do you plan to submit a budget request to fund this program (SCP in home health care) once the new authorizing legislation becomes law?

Answer: I intend to meet with OMB to request funding for the program should it be authorized.

OLDER AMERICAN VOLUNTEER PROGRAM

Question: Are the Older American Volunteer Programs (OAVP) operating at an annualized funding level above the FY'84 Continuing Resolution?

By how much?

Please describe for the record how you are handling this manipulation of funding levels.

Answer: Yes, we are operating these programs at an annualized level which is above the '84 appropriation. The difference between the annualized levels and the amount which is available for grants is $1.5 million in Senior Companions, $1.3 million in Foster Grandparents, and $300,000 in RSVP.

We have maintained the number of Older American Volunteers serving in these programs through the mechanism of recycling grants. By funding a number of grants for less than their full 12 month budget period, we can support the number of volunteers which were active in these projects, although for shorter periods of time. However, the recycling process, which causes renewal dates to occur earlier each year, is only a short-term solution to retaining those volunteers for whom commitments have been made. It can't continue indefinitely. In fact, we will have reached out limit with the Senior Companions Program by the end of FY'85.

Question: How many projects and volunteers could be affected if the programs were actually operating at the Continuing Resolution amounts?

Answer: If the OAVP programs were to operate at the Continuing Resoulution amounts, it would mean a cut of nine projects and 500 volunteers for Senior Companions, six projects and 440 volunteers for Foster Grandparents, and eight projects and 3,900 volunteers for RSVP.

Question: Staff estimates that $4,000,000 would be sufficient to correct the short cycling probelm. Is this correct?

Please provide for the record a breakout of how this money would be allocated.

Answer: To correct the situation in FY'84, we would need $1.5 million for Senior Companions, $1.3 million for Foster Grandparents, and $300,000 for RSVP.

VISTA

Question: The budget assumes that the number of VISTA volunteers will decline to 863 by October 1, 1984. You are now operating under a Continuing Resolution which has provided your agency with $11.8 million -- the same amount appropriated in 1983 and which supported 1,900 volunteers.

Do you intend to fully obligate $11.8 million for VISTA in FY'84, if so, how can you reduce the number of volunteers to less than half the 1983 level?

Answer: We intend to fully obligate $11.8 million for VISTA in FY'84. The number of volunteers at the end of '84 is less than the number at the beginning of the year because we started with 1,950. That is more than the number of service years the budget will support. Because of some cost efficiencies we have realized, the number of service years, or the average number of volunteers we can support is now 1,644, and the '84 end strength we estimate will be about 1,000. This is less than we started with, but we will average at least 1,644 volunteers over the year.

Question: If VISTA were to be eliminated at the end of FY'85, what plans have you made to ensure that these projects and the low-income people served by the projects would not be adversely impacted?

Answer: All VISTA projects are encouraged to mobilize local resources and are required to have a concrete plan for institutionalization in their project application. It is anticipated that the adverse impact will be minimal.

OLDER AMERICAN VOLUNTEER PROGRAM

Question: The House bill to reauthorize the Older American Volunteer Programs proposes an increase in Older American Volunteer Program stipends from $2.00 to $2.20 per hour.

Do you support this increase?

Answer: The "Statement of Administration Policy", issued by the Office of Management and Budget on August 3, 1983 notes that the Administration is opposed to the increase because the legislation, "... provides (for) unbudgeted increases in the stipends."

Question: If not -- why not?

Answer: ACTION is aware of advantages and disadvantages to the increase. Obviously, currently enrolled Foster Grandparents and Senior Companions would

obtain a modest financial benefit (some $208/year/volunteer). It is also clear that a certain number of additional new volunteers could be enrolled with the same increase in the appropriation. A stipend increase would also impact on those volunteers funded by state governments.

Question: Have you developed any estimates of the amount of increased funding that would be needed if this increase was adopted?

Answer: It is estimated that it would cost $4.48 million annually to support the 20 cents hourly increase for the current level of federally funded Foster Grandparents and Senior Companions. It would cost an additional $.64 million on the part of State and local governments and the private sector to fund the increase for Foster Grandparents and Senior Companions in non-ACTION funded projects.

Question: One of the stated purposes of the Foster Grandparent program and Senior Companion program is to provide a source of income to the low-income elderly.

How can you justify your position in light of the growing disparity between the stipend and the basic Minimum Wage?

Answer: ACTION has pointed out to Congress the data accruing to the stipend increase or, alternatively, utilizing the same amount of funds to bring additional volunteers into the programs at the present level of benefits.

FGP and SCP are not employment programs, thus the difference in levels of stipend and minimum wages are not at issue. In addition to the stipend, the purpose of which is to offset the expenses to the volunteer of volunteering, Foster Grandparents and Senior Companions receive additional tangible benefits in the form of transportation to and from their volunteer stations, usually a noon meal on service days, accident and liability insurance coverage, an annual physical examination, smocks or equivalent as needed or appropriate, and recognition for their volunteer service. Further, it's worth noting that the stipend is non-taxable and does not affect eligibility for entitlements.

Question: To date -- how many of the 75 (YVA) projects funded in FY'81 and FY'82 have become independent of federal support?

Answer: In FY'81, 12 projects were funded. Nine of them continue to exist in some form that promotes and permits youth to volunteer. In FY'82, 75 projects were federally funded. Their funding period does not conclude until the end of September or early October, 1984.

Question: How many of these projects are continuing to receive third and fourth year support money?

Answer: No YVA projects receive federal funds after two years.

OLDER AMERICAN VOLUNTEER PROGRAM

Question: Given the increase in the number of older persons in future years and the trends for earlier retirement, what long-range plans is ACTION making to tap the energies of the elderly for increased opportunities for volunteer service? For example, there may be expanded demand in the future for respite services to assist families in caring for their older relatives, suggesting a need for growth in the Senior Companion Program.

Answer: Current estimates of potential volunteer pools for the Older American Volunteer Programs are 9 million older persons willing and able tc serve as RSVP volunteers and approximately one million older low-income persons for the Foster Grandparent and Senior Companion Programs. Individuals and commuinities who could benefit from services provided by older volunteers are almost limitless.

With limited resources, we continue to encourage local projects to implement cost-efficiencies and to generate non-federal sources of support to further meet the demand for volunteer opportunities. In FY'83, the States provided $17 million to expand and/or replicate OAVP activity. Local governments and the private sector have contributed an additional $19 million for this purpose.

With the projections of an increasingly aging population, we are also estimating an increasing emphasis on serviccs for older persons. In the RSVP in 1984, we estimate a doubling of the number of volunteers providing in-home care to a total of 71,000 volunteers. Activities include home-delivered meals, telephone reassurance, and respite care. We are also encouraging greater coordination with SCP to extend and/or expand services to SCP clients.

In SCP, a recently concluded demonstration project with approximately 20 Senior Companions exclusively provided respite care for the frail elderly. This project reports great success and a large demand for this service. This programming area will be incorporated into the on-going SCP project and can serve as a model for replication.

It should also be noted that the opportunity to volunteer is not limited to federal programs.

Question: What other areas have been suggested as new volunteer service concepts for older persons?

Answer: ACTION has placed a special emphasis on services to youth, including activities in drug abuse, literacy and with runaway youth. In addition, RSVP is encouraging and assisting RSVP project directors to respond to community needs for volunteer services in consumer education, in-home care and crime prevention. This helps to broaden the choices for older persons to serve their community in significant ways.

Question: In the past you have provided the Subcommittee with estimates of the number of persons on waiting lists for participation in the Older American Volunteer progrms and have indicated that the need for volunteer positions is greater than available resources would allow. To what extent do waiting lists currently exist for these programs?

Answer: In responding to this question, it is important to first point out that waiting lists are not a very good indicator of interest in these programs. Local projects are very conscious of creating false hope and, as such, they often times avoid publicity and other activities that might stimulate applications to the project.

In FY'83, 69 Senior Companions projects reported a total of 1,951 eligible persons on waiting lists. The list ranged from 1 person to 150 persons, with an average of 28 persons per project.

Foster Grandparent projects reported 5,156 applicants on waiting lists in 243 projects. The range was 0 to 178 and averaged 21 per project.

The Retired Senior Volunteer Program (RSVP) does not have a waiting list. RSVP makes an effort, in response to community needs, to place all older persons who wish to serve as senior volunteers. The emphasis is on accomplishing as much as possible within the limits of available resources.

Question: In view of the benefits of the program, how are you attempting to meet this demand for participation?

Answer: ACTION has been working with the OAVP project directors to increase the awareness of and ability to access other funding sources. Since 1980, the amount of state funding for these projects has increased from $13 million to over $17 million dollars.

In FY'83, the OAVP projects received more than $19 million from local governments and the private sector.

Question: To what extent are volunteers dropped from the Foster Grandparent or Senior Companion programs because of excess income?

Answer: In FY'83, twenty-four projects reported a total of 56 Senior Companions leaving the Program due to excess income. This number was 5% of the total number of Senior Companions leaving and represents less than 1% of the Senior Companions.

During the 12-month period ending 3/31/83, there were reported 131 Foster Grandparents disenrolled for this reason. This amounts to an overall rate of less than one percent annually.

Question: Is there an estimate of how many older persons whose income is over the guidelines wish to participate, or actually participate?

Answer: No; however, it is possible under certain conditions for persons above the income eligibility levels to serve as non-stipended Foster Grandparents or Senior Companions or to provide similar service as an RSVP volunteer.

Question: I understand that ACTION is involved in addressing the tragic problem of missing children. Could you describe for us what the Agency is doing?

Answer: ACTION, and the Office of Juvenile Justice and Delinquency (OJJDP) have joined resources to promote child safety through the Missing and Exploited Children Project.

The Child Safety Day Program is nation-wide in impact, but planned, sponsored, and implemented community by community, at the local level by local organizations. With technical assistance from ACTION, and encouragement from national private volunteer organizations, participating communities hold a "Child Safety Day" (CSD) to attract attention to the tragedy of missing children and to educate their citizens to the problem and what can be done. Each Child Safety Day will provide parents and guardians with preventive information and also with materials to give to authorities should their child ever disappear. Perhaps most important, a CSD can open the lines of communication between parent and child about the need for safety consciousness.

ACTION has provided technical assistance to six pilot Child Safety Days, to test the procedures and information compiled from previous child identification efforts throughout the country. Those six communities (Tuskegee, Alabama; Visalia, California; St. Petersburg, Florida; Des Moines, Iowa; Erie, Pennsylvania; and Houston, Texas) have held Child Safety Days, using materials and public service announcements prepared by ACTION. Approximately 45,000 child-

ren have been fingerprinted in these six cities. Based upon experience gleaned from these projects, ACTION has prepared a handbook, a step-by-step guide to planning and carrying out a child Safety Day program. The handbook explains the scope of the problem, the goals of the program and outlines how a Child Safety Day can be conducted. Also included are numerous sources for further information and materials.

ACTION, in cooperation with OJJDP and U.S. Senator Paula Hawkins, has called together a National Working Group on Missing Children which has endorsed goals of the Child Safety Day Program. The National Working Group is an integral part of the Missing and Exploited Children Project and in each locality will provide local organzational support for Child Safety Days, through volunteers and other resources. ACTION is contacting numerous national volunteer organizations and their professional groups to encourage those memberships to initiate programs in their local communities.

Question: I note that you will not be requesting a supplemental appropriation for FY'84 pay raise.

How will this pay increase be absorbed by your Agency and how will this affect your programs?

Answer: We will have to absorb the costs of the civilian pay raise and increase the benefits costs through cuts in such discretionary spending items as travel, printing supplies, and equipment. While this will have no direct affect on the programs -- since it does not affect the funds available for grants and other programs-specific activities -- a decrease in travel, for example, will reduce the ability of program staff to provide the levels of on-site technical assistance and project monitoring that both we and the Congress deem desirable.

Question: The ACTION Agency is still operating under the Congressional directive that all field offices be kept open, that all State directorships be filled and that a complement of 525 full-time equivalent positions be maintained.

How can these directives be accomplished when, according to your FY'85 request, you are reducing the amount for program support by $2.8 million.

Answer: At the FY 1985 request level for Program Support ACTION cannot accomplish the Senate directives mentioned. Even at the current FY 1984 level of 25.8 million it is not possible to meet all the Senate directives. ACTION will, however, do all in its power to meet the Senate's directives at whatever level of program support funds Congress appropriates. We are not planning to close

any State offices and are attempting to fill State Program Director vacancies as expeditiously as possible under our fiscal circumstances.

Question: If Congress refuses to terminate the VISTA program, is last year's appropriation of $25.8 million for Program Administration sufficient to support current program levels for your Agency?

Answer: ACTION has been at the Program Support level of $25.8 million for the past two fiscal years and we have not received the annual pay raise supplemental appropriation for either of these years. If ACTION is funded at this level again for FY 1985, (we must also assume that no pay raise supplemental will be forthcoming), then we cannot support current program levels or current staff levels.

Question: Given normal inflation and reasonable growth, how much more should you receive to achieve these mandated goals?

Answer: We would have to discuss the matter further with OMB before making a definitive determination, but it would probably take about $3 million to support the additional workyears, including salaries, benefits, travel, supplies, and similar costs.

Title IV--Program Support

Question: The Administration's FY'85 budget would decrease compensation for full-time permanent employees by $1.542 million, from $16,025 million in FY'84 to $14.483 million in FY'85. It also would increase compensation for other than full-time permanent staff by $97,000 from $611,000 in FY'84 to $708,000 in FY'85. To what extent are you replacing full-time permanent staff with consultants or Schedule "B" or "C" appointments?

Answer: ACTION is not replacing full-time permanent staff with Consultants or Schedule "B" or "C" appointments. The nature of these categories of non-career employees do not lend themselves to replacing career employees if all guidelines of the Office of Personnel Management (OPM) are followed which we are doing. This request for additional non-permanent funding is to allow certain additional tasks not now being performed to be done.

The Agency has requested an increase of $97,000 in non-permanent funding; but, even with this increase the total for personnel compensation is $1,452,000 less than the FY 1984 estimate (refer to page 49 of our budget request submitted here for the record). This request is based on a decrease of 43 permanent positions.

The increase in non-permanent funding is not intended to have non-career employees perform the duties of these projected 43 permanent positions lost under this request. Underlying the budget request for program administration funds are certain assumptions such as the phasing out of the VISTA program which require Congressional action. If Congress were to fulfill all of these assumptions then ACTION would need less employees to effectively administer its programs. We would also need certain temporary non-permanent positions to be filled to carry out this change in current policies (for example, increased auditors to assist in the phase out of VISTA). On the other hand, if Congress were to continue all current operations or add additional funds or programs then these program administration estimates would not be adequate.

OPERATING EXPENSES, PROGRAM ADMINISTRATION

OBLIGATIONS BY OBJECT a/

	FY 1984 Estimate	FY 1985 Estimate	Increase/ Decrease
Total number of permanent positions.....	498	455	- 43
Compensable work years.....	489	447	- 42
Personnel compensation:			
Permanent positions.....	$16,025,000	$14,483,000	-$1,542,000
Positions other than permanent ...	602,000	699,000	+ 97,000
Other personnel compensation	96,000	89,000	- 7,000
Total, personnel compensation	$16,723,000	$15,271,000	-$1,452,000
Personnel benefits.....	1,928,000	2,006,000	+ 78,000
Travel and transportation of staff..	916,000	557,000	- 359,000
Transportation of things.....	48,000	30,000	- 18,000
Rents, communications and utilities.	4,224,000	3,449,000	- 775,000
[Building rents]	[1,717,000]	[1,588,000]	[- 129,000]
Printing and reproduction.....	193,000	113,000	- 80,000
Other services.....	1,566,000	1,377,000	- 189,000
Supplies and materials.....	191,000	173,000	- 18,000
Equipment	24,000	21,000	- 3,000
Insurance claims and indemnities....	2,000	1,000	- 1,000
Total direct obligations.....	$25,815,000	$22,998,000	-$2,817,000

a/ Items in brackets are non-add.

Questions Submitted by Senator William Proxmire

Qustion: In last year's budget submission, you projected costs of $3,458,000 in fiscal 1983 for other services and $2,153,000 in fiscal 1984. This year's budget indicates that you actually spent $2,955,000 in fiscal 1983, plan to spend $3,144,000 this year and are requesting $2,961,000 in fiscal 1985. Why were last year's estimates so far off the mark?

Answer: The figures being quoted come from the Appendix to the President's budget submission to Congress. Those exhibits were prepared in December, 1982, so that the projections for fiscal year 1983 -- on which the fiscal year 1984 estimates were based -- reflected only two months' experience. In addition, at the time the fiscal year 1983 estimates were developed the Agency was operating under a series of stop-gap funding measures which clouded the forecasts by casting some doubt over what the final fund availability would be. As the fiscal year progressed, priorities changed as did the methods for financing some activities -- contracts versus in-house staff, for example. Finally, maybe the most significant reason why the estimates were "so far off the mark", is that budgeting is an inexact art which involves making projections based on assumptions and decisions made at one point in time which may not be applicable a week later, much less months or years later. We do the best we can, given the information at the time the estimates are developed, but we must be flexible enough to make the changes necessary to provide the best, most cost-effective management we can for the Agency.

Question: For the record, please provide a detailed breakdown of these costs for 1983 as well as the estimated cost for 1984 and 1985.

Answer: Using the final accounting report for fiscal year 1983, obligations for other services were incurred as follows:

Training and conference costs	$ 49,400
Programming, evaluation, and research	750,900
OPM reimbursables a/	6,100
Maintenance and repair b/	78,000
Maintenance and repair of vehicles	4,400
Janitor and watchman services	51,000
Mailing services	60,400
Audit contracts	431,200
Motion picture and photo services	61,600
Contractual advertising	30,000
Classified advertising	100
Contractual services c/	1,026,500
Office support services	200
Consultant services contracts	63,100
ADP time-sharing contracts	311,800
ADP system development and programming contracts	20,000
Other ADP contracts	10,000
TOTAL	$2,955,000

a/ Costs for personnel security investigations
b/ Equipment-related costs
c/ Includes everythig not coded into another line, such as creative services, health benefits cotracts, etc.

Since our estimates for fiscal years 1984 and 1985 are based on the experience of 1983, we assume that we will spend approximately the same percentage of the total for each cost item in 1984 and 1985 as we did in 1983. However, as I have already indicated, we do not feel we can forecast more precisely because we may have to make necessary adjustments throughout the course of the year's operations as conditions change.

Question: Last year, you advised that ACTION's staff would be exploring the possibility of using funds from the Department of Education's Work-Study Program for your Community Service Learning Program. What happened?

Answer: ACTION explored this possibility last year but was unable to reach an agreement on any specific proposal. ACTION is still interested in this idea and we are continuing to pursue it.

Question: If Congress reauthorizes VISTA's programs during this session -- and there is every likelihood that it will -- what is the necessary funding level of services and volunteers that will be required next year?

Answer: We have requested $5.8 million for FY'85 in the Agency's submission to Congress. This amount covers the support of the volunteers on board 9/30/84 so that they may finish their service year. If Congress appropriates additional funds, we will expend these monies in compliance with the congressional mandate.

ACTION -- National Center for Service Learning

Question: One of the missions of the National Center for Service Learning is to provide consultants to help solve specific problems associated with student volunteer programs. What percentage of $550,000 requested for the Center will be used for this purpose? How does this compare with the current year?

Answer: In the current year, FY'84, we plan to use about $76,000 of the NCSL budget for one-site consultations. While the level of activity for on-site consultations is still being formulated, we expect to spend at least as much in FY'85 as we will in FY'84. That is, we plan to use at least 14% of the FY'85 NCSL budget for on-site cosultations.

Question: In fiscal 1985, the $961,000 requested for Volunteer Demonstration Programs would address three areas of national concern: drug use prevention; runaway youth; and refugees. How much "seed money" is planned for each area?

Answer: In FY 1985, Volunteer Demonstration Programs will address the areas of drug prevention, runaway youth, illiteracy, refugee assistance, and neighborhood programs. We estimate that 40 to 50% will be awarded in the area of drug prevention; 40 to 45% distributed among runaway youth, illiteracy, refugee assistance, and related projects; 5 to 15% for efforts in areas such as neighborhood development, latchkey children, youth gang counseling, and home health care.

Question: Tell us in as much as detail as possble what mechanisms are in place to coordinate these grants with the grant programs administered by the Office of Refugee Resettlement which is requesting $359.5 million next year; the Alcohol, Drug Abuse and Mental Health Administration which is requesting $79.2 million next year for its drug abuse programs; and the runaway youth program which the Administration wants to fund at $10.5 million in fiscal 1985.

Answer: ACTION's programs have a fundamentally different character than those of the typical government agency in that they center on volunteers. Although the Agency maintains close contact with other agencies, its principal responsibility is to demonstrate what volunteers can do.

ACTION works closely with Dr. Carlton Turner Special Assistant to the President for Drug Abuse Policy, who is responsible for the coordination of inter-agency drug prevention activities. The ACTION Drug Prevention Program consults with the National Institute on Drug Abuse; the Drug Enforcement Administration, the National Institute on Alcohol Abuse and Alcoholism, the Department of Education, and the Department of Defense. It sits on several interagency task forces and committees. ACTION's Demonstration Grants are distinct from the Alcohol, Drug Abuse and Mental Health Administration's grants and activities in that ACTION supports volunteer prevention efforts at the grassroots level.

ACTION jointly funds and monitors the demonstration Refugee Project with the Office of Refugee Resettlement (ORR). The Agency participates in the ORR regional consultations. ACTION staff is in contact with program directors and senior staff of ORR National and Regional Offices, and the Office of U.S. Coordinator for Refugee Affairs, the U.S. Department of State.

ACTION's demonstration runaway youth projects offers technical assistance on voluntarism that is available to the Department of Health and Human Services and its runaway youth projects.

Question: What new initiatives -- if any -- have been developed by ACTION in past years as a result of these demonstration programs?

Answer: ACTION awards and manages Part C Demonstration Grants to organizations that evidence the potential to generate volunteer activity, stimulate private and public financial support, and create models that can be replicated by other organizations. Particular emphasis is placed on the severe problems of the use of illegal drugs by our nation's young people, illiteracy, runaways and homeless youth, and refugees. ACTION grants also address neigborhood programs and other areas amenable to the application of volunteer activities.

Demonstration Grants strengthened twelve statewide volunteer networks that involve parents, their children, and their communities in combating the use of drugs. The Agency increased its technical assistance to voluntary parents' organizations, corporate and civil leaders, and major organizations that design and implement projects that promote drug awareness and drug-free lifestyles.

Demonstration Grants enabled the Parent Resource Institute for Drug Education (PRIDE) and Families In Action to provide technical assistance and current information to volunteers throughout the country.

Support of the Archdiocese of New York Drug/Alcohol/Rehabilitation/Education (DARE) project resulted in the development of a comprehensive, community-based, prevention education, and early intervention model. The DARE model is replicated in Miami and by organizations in several states and foreign countries.

ACTION designed and assisted in the implementation of the Elks' first national philanthropic campaign, "Elks on the Move for Drug Free Youth". It also designed and assisted in the implementation of the McNeil Pharmaceutical program to enlist 65,000 pharmacies in its "Pharmacists Against Drug Abuse" program. The Agency provided technical assistance to the General Federation of Women's Clubs that enabled it to launch a nation-wide prevention program targeting drunk and drugged drivers. In addition, ACTION has enlisted celebrities Gavin MacLeod, Jill Whelan, Michael Landon, and Melissa Gilbert in its drug prevention efforts.

The Demonstration Grant to Covenant House in New York resulted in technical assistance to over 300 individuals and organizations, and the development of technical assistance materials for runaway youth programs. Its succesful Under 21 Runaway Shelter model was

replicated in Houston, Texas. The Texas program is primarily funded from local contributions.

The Demonstration Grant awarded to the Assault on Illiteracy Program (AOIP) enabled it to demonstrate progress sufficient to attract support from several major corporations. AOIP convened more than a dozen conferences that encouraged religious institutions, fraternal, and other organizations to undertake volunteer literacy programs.

The Laubach Literacy International and Literacy Volunteers of America project was jointly funded by ACTION and B. Dalton Bookseller. The grantee developed and is currently field testing a management training system for community groups that wish to initiate or expand literacy tutorial projects.

The Demonstration Grant to the Big Brothers/ Big Sisters of Nassau County, New York , supported the development of a High School Program for "at-risk" grammar school youth. Five communities are replicating this successful model with non-federal funds.

The Policy Development Division awarded funds from an interagency agreement with the Department of Justice to the National Center for Neighborhood Enterprise. The Center sponsored a conference on alternative educational opportunities for minority youth and initiated a project to document successful community crime prevention programs.

An interagency agreement with the Department of Health and Human Services enabled ACTION to fund Save Cambodia, Inc. The Grantee has trained and assisted Cambodian refugees to secure employment in the Philadelphia and the Washington, D.C. metropolitan areas.

ACTION -- Drug Prevention Program

Question: The budget justifications indicate that ACTION's Drug Prevention Program designed the Benevolent and Protective Order of Elk's first national philanthropic project and that ADPP is assisting this organization in putting together a series of public service announcements concerning drug abuse. What's the total amount of Federal support for this project and on what basis were the funds allocated? What other organizations will receive similar funding next year?

Answer: The "Elks On the Move" campaign is a perfect example of a private sector initiative. No demonstration program funds were used for this effort; ACTION's total financial involvement

was limited to assistance and travel to conduct training sessions. ACTION is prepared to offer similar support to other national organizations that are interested in our efforts to prevent drug use.

Question: Mr. Pauken, it's my understanding that during the current fiscal year you plan to reduce the number of VISTA volunteers in Wisconsin by 88 percent below the fiscal 1983 level. Is this correct? If so, please let us have a detailed explanation why such action is necessary.

Answer: Wisconsin was allocated 28 volunteer service years (VSYs) at the beginning of FY'83 (approximately 56 volunteers). It did not meet this allocation and ended FY'83 using 22 VSYs (approximately 25 volunteers). The number of VISTA Volunteers in Wisconsin will drop off markedly during FY'84 from a high of 25 volunteers on October 1, 1983, to a projected level of eight (8) volunters on September 30, 1984. These situations are not the result of any deliberate ACTION plan.

Constant figures can be ensured if Wisconsin develops VISTA projects and these projects are approved by the region and VISTA headquarters. Wisconsin has not been successful in finding "replacement" VISTA sponsors willing to submit project applications for approval. Despite newspaper articles and mailings soliciting applications from eligible organizatios, little response has been forthcoming.

Recognizing that Wisconsin would not meet its FY'83 allocation, the extra VSYs were distributed to other states in Region V that could use them. States that picked up the fallout from Wisconsin, trained and placed large numbers of volunteers late in FY'83. As a result, these states began FY'84 with a large number of volunteers on board, and will receive most of Region V's resources this fiscal year in order to support them.

The situation in Wisconsin will change as new applications are received and approved for volunteers. By the beginning of FY'85 we believe Wisconsin will receive a more equitable share of Region V's resources, if Congress reauthorizes and appropriates funds for VISTA.

ACTION -- Young Volunteers in ACTION

Question: You're requesting $1.1 million in Service Learning Programs to fund Young Volunteer grants. Given the fact that Young Volunteers is a demonstration program, wouldn't it make more sense to provide support out of the Citizen Participation and Volunteer Demonstration Program?

Answer: The authorization for the YVA program is contained in Title I, Part B, which states in part: "...Its purpose further is to provide for a program of part-time or short-term service-learning by secondary and post-secondary school students to strengthen and supplement efforts to eliminate poverty and poverty-related human, social and environmental problems". YVA, with it's service-learning focus, appropriately belongs in Part B. The term "demonstration" relates to the two (2) year limitation on a YVA grant and also connotes that the program is part of the Agency's new initiatives.

Question: $20,000 is being requested in evaluation funds to complete the assessment initiated in fiscal 1983 of Young Volunteers in ACTION. What is the overall cost of this assessment?

Answer: An overall cost of up to $64,700 is planned.

Question: Is the evaluation being conducted in-house?

Answer: No decision has been made on which option would be best for implementing the subsequent evaluation.

Question: What percentage of projects funded under this program is poverty-related?

Answer: YVA regulations require that all YVA projects be poverty related.

Question: Last year, in response to an inquiry about the per-volunteer cost, you advised that it was too early in the operation of the program to determine the exact cost. Can you provide this information now?

Answer: In FY'83, the cost per YVA volunteer was $124 per year.

ACTION -- Voluntary Citizen Participation Activities

Question: The request for Voluntary Citizen Participation Activities is $840,000, which is $85,000 below the current estmate. Approximately 79 percent of these funds -- $660,000 -- would support ten State offices of voluntary citizen participation programs. The budget justification already identifies two of those States to receive awards -- namely Idaho and Colorado. What are the other eight States?

Answer: Illinois, Idaho and Colorado are currently in their 5th and final year of funding. Therefore they will not be part of the FY 1985 allocation. Other states expected to apply for renewal funding in FY 1985 are New Hampshire, Delaware, Alabama, Iowa, North

Dakota, and South Dakota. New grants -- up to 4 -- in FY 1985 will be awarded to states which apply and, on a competitive basis, meet the guidelines.

Question: How much is each State's allocation?

Answer: The following six states will be awarded renewal grants in FY 1985 subject to ACTION appraisal of grantee performance from the previous year, approval of their continuation application, and Congressional appropriations.

STATE	STATE ALLOCATION
New Hampshire	62.6
Delaware	50.0
Alabama	50.0
Iowa	47.35
North Dakota	50.00
South Dakota	47.00
TOTAL	$306.950

Approximately $200,000 could be available in fiscal year 1985 to fund approximately 3-4 new grants.

Applicants must submit a complete application for Federal Assistance which itemizes total program costs including salaries and operating expenses for each period of program operation.

In addition, ACTION will provide funds ($100,000) for the remaining 40 states to send a representative to a national conference on issues affecting, and affected by, voluntarism in the 80's, including public/private partnership, initiatives in education, etc.

Question: What activities do these funds support?

Answer: The goals of S/OVCP have remained: to provide coordination and networking for volunteer activities throughout a state and to provide training and technical assistance to all volunteer organizations within a state on all aspects of volunteerism.

The grants are made to stimulate new citizen initiatives and to support projects to resolve local human need problems particularly those related to poverty, through voluntary action; and to promote and coordinate voluntary participation in government organizations by developing, creating and/or supporting "Voluntary Citizen Participation" offices at the state level.

Question: For the record, please list States funded under this program since its enactment in 1973.

Answer: The State Office of Voluntary Citizen Participation (S/OVCP) Program Grant was established with Notice of Guidelines in the Federal Register on April 2, 1980. The following states were funded.

Arkansas
California
colorado
Florida
Idaho
Iowa
Mississippi
Puerto Rico
New Mexico
South Dakota

Prior to 1980 the project was called "State-wide" and the following states received ACTION funds.

Connecticut
Georgia
Hawaii
Indiana
Kentucky
Louisiana
Massachusetts
Rhode Island
Minnesota
New Jersey
North Carolina
Oklahoma
Missouri
Texas
Virginia

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF GEORGE H. McKEE, GOVERNOR

ACCOMPANIED BY:

HERBERT V. SWINDELL, DIRECTOR, HEALTH CARE SERVICES
ROBERT W. HAMPTON, DIRECTOR, ADMINISTRATION
ARTHUR J. CURRY, BUDGET OFFICER

PREPARED STATEMENT

Senator RUDMAN [presiding]. Our next witness is Lt. Gen. George McKee, the Governor of the Soldiers' and Airmen's Home.

I want to welcome you, General McKee and just say to you that I have been up there a number of times and I had one occasion last year where I had an opportunity to see what you do. It's a very little known activity; it is an activity which is solely supported, in terms of money, by enlisted personnel of the Armed Services from deduction from their pay, but nevertheless it is a budget item and, therefore, you have to come before us, although my understanding is you have several millions of dollars in reserve in your fund which you can talk about.

I just want to say that you people do a first rate job, and I understand from the Chief of Staff of the Army that you have recently been reappointed for an additional term as Governor. So we welcome you here. You can summarize whatever you would like to tell us, and I just have a couple of questions for you.

[The statement follows:]

STATEMENT OF LT. GEN. GEORGE MCKEE

PURPOSE

The purpose of this statement is to furnish information on the home which may be of interest during the committee's consideration of the home's fiscal year 1985 appropriation request. Included is pertinent information on the home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1985 appropriation request as compared with the fiscal year 1984 appropriations.

MISSION

The home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soliders of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for 20 years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) nonservice-connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the home was placed by Congress in a Board of Commissioners now composed of the Governor of the home; the surgeon general, U.S. Army; comptroller of the Air Force; deputy chief of staff, manpower and personnel, U.S. Air Force; chief of engineers, U.S. Army; the adjutant general, U.S. Army; the judge advocate general, U.S. Air Force; the sergeant major of the Army; and the chief master sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the home. The law provides for an annual report of inspection of the home by the Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The home is situated in northwest Washington, D.C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the home is 2,029 beds. Our hospital has a capacity of 385 beds. Throughout the years, the loss of home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the home are grateful for the support provided by the committees of Congress for retention of the home's lands against past proposals to further reduce it.

FINANCING

The act of 1851 provided that the home be supported from two principal sources: (1) a monthly contribution while on active duty of 25 cents from each enlisted member and warrant officer of the Regular Army and Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courts-martial. Public Law 94–454 increased the monthly withholding to 50 cents. Public Law 96–357 amended the act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of section 815 of title 10, United States Code, commonly referred to as nonjudicial authority. The act of 1883 established a permanent fund in the U.S. Treasury and provided for the payment of interest of 3 percent per annum on the fund balance. On December 15, 1973, the act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the home is now receiving about 10.5 percent interest on its fund balance. Public Law 94–454, in addition, authorized the collection of a fee from the members of the home. The permanent fund balance on September 30, 1983 was $139.3 million.

MEMBERSHIP

Our male members range in age from 39 to 99 with an average age of 67. Our female members range in age from 52 to 89, with an average age of 75. There are 79 female members. The average age of the patients in the health care facility is 72 years. Average total membership during the fiscal year 1983 was 2,085 including 1,991 present.

THE FISCAL YEAR 1985 BUDGET FOR OPERATION AND MAINTENANCE

The home's fiscal year 1985 operation and maintenance appropriation request at $32,352,000 is $1,066,000 greater than its expected fiscal year 1984 appropriations of $31,286,000 which includes a supplemental of $362,000 for pay raises in fiscal year 1984. The increase for fiscal year 1985 is primarily due to additional employee related expenses and inflation. Additionally, minimal program changes to enhance the comfort and safety of the members will be made. A detailed description of the $1,066,000 increase is included in the home's justification booklet which has been submitted to the committee.

THE FISCAL YEAR 1985 BUDGET FOR CAPITAL OUTLAY

The home's fiscal year 1985 capital outlay appropriation request is $5 million. Of this amount, $1,250,000 is the second installment in the overhaul of the elevator systems in the Scott and Sheridan Domiciliary Buildings. Three million dollars is for detailed plans and specifications necessary for the renovation of main home buildings. The other $750,000 is for improved street lighting, the renovation of the roof of the Grant Building, and for the start of the project to replace and repair the steam and hot water lines.

CONCLUSION

The members of the home appreciate the interest in their welfare that the committee has taken over the years.

SOLDIERS' AND AIRMEN'S HOME FUNDS

General McKee. Thank you, Senator, Mr. Chairman.

I would like to make a few comments here just for the benefit of the people here in the room who may not be too familiar with the Soldiers' and Airmen's Home.

The 1985 appropriations being requested today come from an exclusive trust fund, the U.S. Soldiers' and Airmen's Home permanent fund, established by Congress on March 3, 1883. These, as Senator Rudman said, are not taxpayer dollars. By law the income is derived from the Army and Air Force enlisted personnel: 50 cents a month contribution toward the home; interest from the trust fund; court-martial fines and forfeitures from the enlisted people; and a user fee which is charged those members living at the home now. Presently we have $146.3 million in the trust fund.

In the decade prior to 1980 chronic inflation drove annual cost increases beyond our relatively stable income. The forecast at that time, Senator, showed a clear threat of deficit spending for the home and the fund's decline by 1989.

This forced us to take drastic economy measures, including staff cutbacks as well as deferred or canceled maintenance programs. In fact, the home voluntarily reduced its work force approximately 20 percent from 1973 to 1978. In addition to our own voluntary action, periodic Government-wide cuts and freezes were also levied against the home. These actions resulted in deterioriating structures, inadequate staffing, marginal equipment, and a struggle to maintain the essential services there at the home for the members.

In recognition of the plight of the home at that time, Congress acted in 1980—Public Law 96-375—to restore part of the home's income in the courts-martial fines and forfeitures area that had been removed by a Comptroller General decision in 1963.

As a result of that action the trust fund is now on a sound basis again, and hopefully for another 100 years. We now have sufficient income to meet our annual requirements plus our capital outlay needs over the next 10 years, which will restore the facilities and the personnel manning to the level where they should be to care for my 2,000 plus distinguished veterans living at the home.

To accomplish this, I now have a 10-year restoration program which has been approved by the home's Board of Commissioners, the Secretary of the Army, Secretary Marsh, the Secretary of the Air Force, Secretary Orr, and supported by the Secretary of Defense, Secretary Weinberger, and last December agreed to by the Director of OMB, Mr. Stockman.

The members of the home are appreciative of the committee's action last year which authorized $1.25 million for the start of our elevator repair program at the home, the additional $3.3 million made available to renovate and air-condition the general dining facility, funds to update the home's master plan and do other advanced A&E work, where required, to get those facilities restored. The additional 71 spaces you authorized for the staff of our health care facility are now enabling us to provide better care for the patients there.

Mr. Chairman, as I stated earlier, we now have $146 million in our trust fund. Our budget request for 1985 is $37.3 million, which includes $5 million for capital outlays, against a projected income of $52.6 million. The trust fund balance for 1985 is estimated to be $169.7 million.

INTRODUCTION OF ASSOCIATES

Today I have with me General Swindell, chief surgeon for my health care facilities; Col. Bob Hampton, the Secretary-Treausurer: and Mr. Art Curry, my Budget Officer.

Senator RUDMAN. Thank you very much, General. You actually have answered most of the questions we had.

ADDITIONAL STAFF

How have you been doing on filling those 71 positions that were authorized?

General MCKEE. We have those positions approximately half filled at this time and are in the process of advertising and recruiting to get the remaining number of the 71.

Senator RUDMAN. Are you having problems at all finding trained people for the positions, or do you think you will be able to fill them?

General MCKEE. We will be able to fill them, but we found that our salaries up until this time have not been too competitive with similar health care medical institutions. We have taken action to raise the grade levels somewhat to make us more competitive so that we can bring in the qualified people that we need.

Senator RUDMAN. The 131 additional positions at the health care facility, these are the 131 positions that you indicated last year as part of your 2-year plan?

General MCKEE. We had requested initially 131 people, 71 last year because we knew we were going to have a recruiting problem. We are hoping that the committee would be able to authorize an additional 60 people this year.

RESTORATION SCHEDULE

Senator RUDMAN. Is the physical plant restoration on schedule?

General MCKEE. The physical plant restoration, as I said, has been recognized now by the administration, OMB. They have agreed to a 10-year restoration program for the facilities, $100 million to be spent over the next 10 years.

MEMBERSHIP

Senator RUDMAN. How many residents do you have there at this time?

General MCKEE. We have 2,061 at the present time.

HISTORICAL PERSPECTIVE

Senator RUDMAN. Mr. Chairman, I don't have any other questions.

I would like to just make two comments, one of historical interest that very few people in this town know about, and that is that President Lincoln used one of the major buildings at the home as his summer home when he was President. There is a lot of history there.

The other thing is that I, as the chairman knows, occasionally have some fun on their little nine-hole recreational golf course, and I have had a chance to play golf with a number of the men there, many in their seventies and eighties. The history of the people who live there, going from Pearl Harbor through Bataan through the entire Pacific and European campaign—some great stories and some great men live there. I think that the chairman is to be commended for finally getting behind this after becoming chairman and making sure that this home will get back on a basis where these people can get decent health care and decent facilities, because, as the general pointed out, I think you've got about a $15 or $18 million surplus this year in terms of what you're taking in for what you are spending, and yet you still have to come before us because it is an on budget item.

General MCKEE. That is correct, Senator.

Senator RUDMAN. Thank you, Mr. Chairman.

HOME MEMBERSHIP

Senator WEICKER. Thank you, Senator Rudman.

Let me just pursue the question of the residents. You say 2,061?

General MCKEE. That's correct, sir.

Senator WEICKER. Of the 2,061, how does that break down as to the length of stay?

General MCKEE. The average stay there is 10 years. The longest resident has been there for 46 years. And it varies. We have about 20 percent of the population coming and going each year. They come to the home for several reasons. We're able to provide them excellent health care through our medical facility, Walter Reed, and the VA facility located on the south side of the home. If an eligible person is having a medical problem in some other part of the country, then he'll come to the home and get the problem taken care of, and possibly even go

back. Other people, of course, come there because they lose their wife or they have family problems or they find themselves alone in the world. The Soldiers' and Airmen's Home, from the first day they come into the service, they are aware of it because they have the opportunity to contribute a certain amount. At the present time it's 50 cents a month, which is about $7 million a year.

Senator WEICKER. What is the capacity of the home?

General MCKEE. The capacity of the home, Mr. Chairman, is around 2,400. You may ask the question, why aren't you full if it's such a good arrangement out there? The reason is that we do have some marginal, substandard facilities. These are the ones that we are hoping to upgrade in the restoration program that we have starting this year, and continuing in the following fiscal years. While we are in the process of doing that modernization work we need the empty bed space so that we can move people back and forth. When they go in to modernize a wing of a dormitory or several floors of a dormitory, the contractor will need to get in and do the work. So until we get that project completed, or most of it completed, we're not beating the drums too much to get more people into the home.

One other factor that controls the level of membership is the size of our hospital facilities, our health care facility. About 20 percent of the population is confined to that facility. So that is sort of the long pole in the tent. In our restoration plan, hopefully we'll be able to build a 215-bed annex or modernize some of the buildings or facilities there to give us the increased bed capacity.

I have not been able to take a person into the home for the past 3½ years who requires a hospital bed because we're full up in that area. We have about 650,000 retirees in the American community who are entitled to come to this home, and some of those people need to come to the home, but we can't accommodate them in our health care facility.

Senator WEICKER. You have not taken anybody for 3½ years?

General MCKEE. Into the hospital. Our average member age in the dormitory area is 67, and with their medical problems they keep the hospital full. Our first requirement is to take care of those people who are there with us.

Senator WEICKER. I would agree with that, but doesn't that then put the priority as far as the modernization program on the hospital facility rather than anything else?

General MCKEE. Yes, sir. We have a study going on at the present time in the hospital, a study in that area to tell us how we need to restructure in order to move forward in this area.

ADEQUACY OF HEALTH CARE FACILITY

Senator WEICKER. General Swindell, what are your comments as to the adequacy of the health care facilities?

General SWINDELL. I think there have been and still remain two major deficiencies in our ability to provide health care. One of them al-

luded to was the aged condition of the facilities. Our building, euphemistically referred to as the new hospital, is 30 years old and has about a 45- or 50-year-old design; it is not designed to meet the standards of modern day health care. So facilities all have to be remodeled, rescoped to provide the type of long-term care that we should be giving our individual members.

The second thing is the staff over the past decade has been decreased to a point that 3 or 4 years ago we were able only to use a level of care which can at best be called warehousing. I think until we get our staff back up to where it was, so that we can get into the levels of care that we should be providing, will be a limiting factor.

BUDGETARY CONSTRAINTS

Senator WEICKER. Let me ask a question in relation to that. These staff levels and, I might add, the salaries paid, this is up to you people, isn't it? It's not up to us. Don't you have it within your power to both hire as many as you need and set the salaries as to what you're going to pay these people?

General MCKEE. No, sir, Mr. Chairman. We have a problem like the other agencies do. We have to get our budget through some of my friends down at the Office of Management and Budget. Unfortunately, they are extremely critical.

Senator WEICKER. This is not money that's coming out of any funds other than your funds, is that correct?

General MCKEE. That's correct, sir.

Senator RUDMAN. May I interrupt, Mr. Chairman. It's an anomaly which I don't understand. I've talked to General McKee about it. The soldiers and the airmen of this country contribute their money every month to support this home. This year there's about a $15 or $18 million surplus of that money coming into the fund. It's an on budget item and there is a great reticence to remove anything from the jurisdiction of the OMB and the Congress.

Senator WEICKER. Do we have a statement from you on what it is that you are seeking in the way of positions? Does my committee have that?

General MCKEE. Yes, sir.

Senator WEICKER. Do we also have a statement as to what the salary levels should be, in your opinion, to be competitive on the market so you can get who you need?

General MCKEE. We will provide that for the record.

[The information follows:]

The home has very little control over the salaries of its work force. This is because our employees are Federal civilian employees, with general schedule (GS) or wage system (WS) grades and compensation according to statute as in other Federal agencies. When a new job is established, such as the 71 additional positions provided by the committee in this fiscal year, we set down the job's responsibilities and duties. Based on those, the civil service standards tell us what grade is permitted, and that fixes the pay. Some of our new positions are in highly competitive fields, such as clinical nurses, where non-Federal hospitals can offer pay and special benefits or incentives just not

available to us. But we have gone back to be sure we have not overlooked duties and requirements that make a grade difference, and in some instances, notably our nurses and nursing assistants, found that a higher grade was justifiable.

PHYSICAL RENOVATION REQUEST

Senator WEICKER. In terms of the budget you presented, your physical renovation request, does it include the updating of the health care facilities?

General MCKEE. The 10-year restoration plan does include that, sir.

Senator WEICKER. A 10-year restoration plan? By the time you finish your 10-year restoration plan the hospital is going to be outdated again. It seems to me that if you consider yourself behind now, then it really would have to be done in a shorter period of time in order to be effective. I think it's staggering that nobody has been taken in for 3½ years. Obviously something has to be done.

General MCKEE. The program that I agreed to with OMB, Mr. Chairman, is $5 million for fiscal year 1985, $4 million for 1986, $15 million for the 2 or 3 years following it. It's not as much as we want as fast as we want it, but at the present time we are tied to that unless the committee sees fit to make it higher.

Senator WEICKER. What did you ask for? Was it a 10-year plan from the beginning, or were you asking for something in a shorter period of time?

General MCKEE. We asked for a 10-year program to start with 3 years ago. So we should be really 3 years into that 10-year plan, which we're not. We requested some $52 million for the budget this year, and actually we got $37.4 million.

Senator RUDMAN. Mr. Chairman, I just want to add that a lot of these facilities, if I'm not mistaken, were built in the late 1800's and some earlier than that. So although a 10-year program may seem to the chairman rather lengthy, to the people at the home, if they could get it done, it would be a quantum leap in facilities.

I also want to say for the record that the Governor, General McKee, and the chairman may not know this, had an extraordinarily distinguished record. He's a retired three-star general of the U.S. Air Force with major combat commands who really has just taken a reappointment on this at some personal sacrifice. He is very dedicated to this place, and I think we are lucky to have him.

Senator WEICKER. I'm very impressed by General McKee's testimony. My problem, and I think your problem, is not with General McKee. It's where it usually is.

Let me see what we can do to work with you on this matter. Let me try to get your figures from you and let's see if we can push this thing along to becoming meaningful. With that many people out there and those waiting in effect getting something less than the best, and the money is there; I don't understand that. I really don't.

Senator RUDMAN. Maybe we can get the chairman to take a run out there with me sometime between now and the spring. They don't have tennis courts, but they have a pretty good golf course out there.

FACILITIES

Senator WEICKER. They do have one tennis court out there. [Laughter.]

I belong to the Army-Navy Country Club, a private club. Over the years the tennis players have always suffered at the hands of the golfers. They seem to take all the money for everything. I find myself now in a position where maybe I can reverse those tables. So I'm not so sure that you want to take me up there at all, Senator Rudman. You might find that the ninth, eighth, and seventh holes are now going to become tennis courts. [Laughter.]

In any event, as light as we make of it, I'm glad the facilities are there. But the No. 1 priority of what you do there relates to the buildings, the health care, et cetera, of those that are there, and that's where the money has to go, and it's where it should go.

I know Senator Rudman has devoted considerable time to this and has sort of taken the lead within the committee. Let me see if I can join forces with him in seeing that we do the right thing and getting those health care facilities up to scratch.

The buildings themselves, the residential facilities, as I recall from last year's hearings you had considerable work to be done on those. Is that proceeding at pace? Are they all air-conditioned, for example?

General MCKEE. No, sir, Mr. Chairman.

Senator WEICKER. They're not?

General MCKEE. Only 20 percent of the dormitory facilities are air-conditioned.

Senator WEICKER. In Washington, D.C., for a population that is obviously on the elderly side, and not air-conditioned?

General MCKEE. And only 35 percent of the hospital beds are air-conditioned.

Senator WEICKER. That's disgraceful.

General MCKEE. Not only that, in the extremely cold weather you think you're living in the frigid North in some of the wards we have in that old, aged health care facility. These are the things that—I don't want to become emotional about this, Mr. Chairman. I just get tired of talking about it at times. We've got the money and we're being denied the use of that money for what it was put there for. It's a unique trust fund. It's not like the other trust funds. These people pay for it and they should be entitled to get it back.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I agree with you.

If there are further questions we will submit them to you. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Question: Will you briefly summarize the financial condition of the Home's Trust Fund?

Answer: The balance in the Home's trust fund is over $146 million. If only $37.4 million is appropriated for FY 85, income that year will exceed the appropriation by more than $15 million. The trust fund has the present and potential assets to finance the much needed restoration and modernization of Home facilities and programs.

Question: You are requesting an appropriation of $37.4 million for FY 85. What is your FY 85 expected income?

Answer: The estimate for income in FY 1985 is $52,615,000.

Question: You are requesting an increase of $1,066 million in your operation and maintenance account or about 3½%. Will you be able to maintain current services for FY 85?

Answer: It will depend on the rate of inflation in FY 85. Price increases in excess of 3½% will adversely impact on Home operations.

Based upon a review of publications, analysis of price trends for goods and services the Home contracts for, and conversations with suppliers, it was determined that $1,009,000 would be needed next year to defray price increases in goods and services. That amount was reduced to $353,000 in the budget transmitted to the Congress.

Question: In the FY 84 year we directed that your FTE's be increased by 71 positions to 1006. How far along are you in filling those positions?

Answer: We have now filled about half of the 71 new positions, are recruiting and interviewing for the rest, and expect to continue making progress.

Question: Are you experiencing any problems in finding appropriately trained people for those positions?

Answer: We have had some problems in filling them as quickly as we would like, in part because we are seeking the best trained and qualified people we can find but must compete with other health care activities in the area for this kind of skills. We are sure that we will be able to fill them, and have taken what steps we can to improve our competitiveness.

Question: I understand that the 71 additional positions for FY 84 were only part of what you believe is a total requirement of 131 additional positions at the Home's health care facility. What will be the effect of deferring the remainder of those additionally needed positions?

Answer: Without the additional spaces our nursing care will be restricted below the acceptable standards. The specialized care needed by the hospitalized psychiatric patients will not be available. Assistance and instruction of patients in their

activities of daily living (ADL) such as feeding, dressing, grooming and toilet activities will continue to be curtailed to an unacceptable level. The needed expansion in preventive and rehabilitative care such as speech therapy, nutrition education, radiology support, etc., will not be possible.

Question: How did you arrive at the estimate of 131 positions?

Answer: We conservatively used selected Air Force Manpower Standards (AFMS). The AFMS program is designed so that you can take a workload factor that is pertinent to the area under study, put it into the right formula and determine the number of positions necessary to perform the tasks required in that particular area.

By application of AFMS to the entire Health Care Facility (HCF) the requirement for a staff of 556 was documented. That was 131 more than was authorized. The methodology and results were recently reviewed by The Surgeon General of the Air Force. Please see his 8 February 1984 letter, copy attached.

Question: Your program to restore the Home's physical plant is expected to take several years and cost about $100 million. Can you describe for us the Administration's response to this restoration program?

Answer: The Office of Management and Budget has accepted a $100 million, ten year, restoration program for the Home. The amount and length of time to completion of the project were both compromises; however, for the Home to have had its pressing needs finally acknowledged was a welcome response indeed.

Question: Have you negotiated a timetable with OMB for the restoration?

Answer: Yes, the 10 year capital outlay plan that OMB has accepted provides for $5 million in FY 85; $4 million in FY 86; $15 million in FY 87, FY 88, and FY 89; $10 million in FY 90; $8 million in FY 91; and $7 million in FY 93, FY 94, and FY 95.

Question: What are the present limits upon the size of the Home's membership?

Answer: The size of the current Home membership is limited principally by two factors, dormitory capacity and bed space in the Health Care Facility. The dormitory capacity is adequate but modernization and renovation is essential, which is programmed in the restoration plan. The Health Care Facility currently does not adequately support the present membership and precludes expansion. The restoration plan includes both renovation and expansion of facilities.

Question: Upon completion of the restoration, how many Members will you be able to support in the Home's dormitories? In the Home's health care facility?

Answer: The restoration plan provides for approximately 2,000 beds in the dormitories and for 600 beds in the Home's Health Care Facility (HCF). Significantly, the HCF will increase from its present 385 bed capacity to 600 beds.

Question: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services. How do these amounts compare to FY 84 amounts for consulting services?

Answer: No funds in either the FY 84 Operating Budget or in the FY 85 request are for the consulting type services made reference to in Senate Report 95-119, page 135.

8 FEB 1984

Brig Gen H. V. Swindell, USAF, MC (Ret)
Director, Health Care Services
United States Soldiers' and Airmen's Home
Washington DC 20317

Dear General Swindell

Per your request, we have reviewed the methodology used and the results of the application of selected Air Force Manpower Standards (AFMS) as part of the manpower determination process for the U. S. Soldiers' and Airmen's Home medical facility. These standards provide a reasonable and conservative guide (for your facility) to follow. Certainly, these management engineered standards, based on actual measured time, are more appropriate for use than estimates or opinion.

There was a conscientious effort to maintain a conservative approach in our review, and to not overlook differences between your type of facility and the average military hospital. For example, nursing manpower was estimated by using only the basic portion of the AFMS. Had the entire standard been applied, which includes allowance for subspecialties and additives, the manpower requirements would have been estimated at significantly higher levels. This approach was consistently employed by your staff in application and our staff in review.

The conservative use of these management engineered standards as one tool for your budgeting and programming is reasonable. We have been willing to assist you in the past and remain so in the future. Therefore, please do not hesitate to contact me.

Sincerely

MAX B. BRALLIAR
Lieutenant General, USAF, MC
The Surgeon General

Questions Submitted by Senator William Proxmire

Senator Proxmire: Over the past few years we have witnessed a significant increase in the average age of our veteran population as the many veterans of World War II have grown older. I'm wondering if this will affect your operations. More specifically do you see an increase in the percentage of your membership that uses your hospital facilities and, if so, how do you plan to address this situation?

Answer: The increase in the average age of the veteran population is reflected in the membership of the Home and it does have an effect in our operations. Two floors of one of the dormitories are

now reserved for assignment to Members of advanced age, partially blind, or otherwise disabled in order that additional care can be given to meet their special needs. Others are assigned to the Health Care Facility though they are not actually ill. As a result of this use of bed space, the Health Care Facility continues at near capacity and we are unable to accept new members into the Home who require direct admission to hospital care. As life expectancy is increased both medical care and general assistance will become necessary.

The restoration plan provides not only modernization and improvement of the present facilities but also includes the addition of a 215 bed intermediate care capability. Improved care can thus be provided those members affected by age alone and free bed space for those actually requiring medical care.

Senator Proxmire: General McKee, last year you referred to problems you were having with an electrical transformer in the basement of the Scott dormitory. You indicated that if there is a fire there and it is not detected you could lose use of the entire building because of PCB contamination from the transformer. Has this situation been corrected? (If the transformer has been repaired or replaced) Where did you find the funds to address the transformer problems?

Answer: The problem transformer is in the process of being replaced. Work is scheduled for completion in October 1984.

The original U. S. Army Corps of Engineers estimate for the repair of the roofs on the Scott, Sheridan and Health Care Facility, Dining Hall was $953,000. In October 1982, they revised the estimate downward to $860,000, of which $560,000 was for the roof of the Scott building.

When the bids for the Scott building roof were opened the low bid was $280,000, an amount only half of what was estimated. With that type of savings the leaking transformers could be replaced with funds not needed for roof repairs. Accordingly, the $400,000 program supplemental, which had been requested to repair the leaking transformer, would not be needed and the Congress was so informed. In August 1983, $305,000 was released to the Corps of Engineers so they could award a contract to replace the leaking transformers. The contract was executed in January 1984. The final amount is $95,000 less than the earlier estimate.

It has since been determined that the low bidder for the Scott roof was unable to obtain a performance bond. Because the winter months were approaching the solicitation was cancelled. The Corps started the bid process on the Sheridan building roof March 1984 and depending upon the results of that action, will solicit bids for the other roofs later in 1984.

Senator Proxmire: Last year you estimated that you would need an additional $11,000 to cover an increase in the employee compensation refund to the Department of Labor. This year's budget projects an increase in the refund of $131,000. Why will the cost of this refund jump so dramatically between fiscal year 1984 and fiscal year 1985?

Answer: Each year the Home and other federal agencies are billed by the Department of Labor for workmen's compensation and medical cost payments which D.O.L. has paid out under 5 U.S. Code 8147 (b), as amended by Public Law 94-273. These bills are received in advance of the budget year in which our reimbursement must be paid. For example, the bill for $355,538 reflected in our FY 85 budget request was for payments made by D.O.L. from July 1982 to June 1983, and was received by the Home in August 1983.

These yearly compensation and medical benefits costs under the Federal Employees' Compensation Act have risen sharply over the past several years. That increase was caused in part, according to D.O.L., by rising medical costs and the annual federal cost-of-living increases. But in reviewing our experience at the Home, we decided last year to do all we can to help reverse these trends and reduce our costs. We have stepped up our emphasis on preventing job-related accidents and injuries, increasing safety education, training, and work force supervision, and checking the validity of incidents which are reported as job-related. For cases in which compensation or medical payments are already being paid, we have formed a team to review and determine whether payments are still proper, and to detect fraud or other wrongful payments wherever possible. When such cases are found, they will be reported to the Labor Department so that payments can be stopped. We do expect; however, that increased annual costs will continue for the next several years because of the number of claimants already in the system and the cost factors I mentioned. Our review team has not been in operation long enough yet to show results, but we believe that its work and our other efforts on this task will make a real difference in the future.

Senator Proxmire: Last year you estimated that it would cost $3.3 million for architectural and engineering plans and specifications for the restoration of your two principal dormitory buildings. This year you are requesting $3 million for detailed restoration plans and specifications. Can you tell us why currently the estimated cost of the project is 10 percent less than the estimate you gave us last year?

Answer: The original estimate obtained from an Architectural Engineering Firm for the renovation of the USSAH was approximately $130 million. The cost of preparing detailed plans and specifications for such a project is approximately $7.8 million. This estimate is based on U. S. Army Corps of Engineers guidelines which uses a factor of 6% of the total construction cost for the cost of engineering design.

The $3.3 million requested last year was that portion of the $7.8 million in design funds that was identifiable to the cost of renovating the Scott and Sheridan Buildings. During this year's budgetary negotiations with OMB a compromise was reached in which the Home would have a $100 million restoration program during the FY 85-95 period. The $3 million in the FY 85 budget request is a result of that compromise. The funds will be used to partly address the renovation of principle USSAH structures to the maximum extent possible. As the Corps of Engineers addresses each structure or support facility in detail, the cost of renovation and therefore, the cost of design, will be more precisely determined. The remainder of the funds needed for preparing required plans and specifications are planned to be included in the Home's FY 86 budget request.

CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF EDWARD J. PFISTER, PRESIDENT

ACCOMPANIED BY:

SHARON P. ROCKEFELLER, CHAIRMAN, BOARD OF DIRECTORS
FRED P. WACKER, VICE PRESIDENT, FINANCE AND TREASURER

PREPARED STATEMENTS

Senator WEICKER. Next we will hear testimony on the fiscal year 1985 budget of the Corporation for Public Broadcasting, to be presented by Mr. Edward Pfister, the President of CPB.

I am pleased to note that the Chairman of the Corporation for Public Broadcasting's Board of Directors, Mrs. Sharon Rockefeller, is also present, as well as Fred Wacker, Vice President of the Corporation for Public Broadcasting.

We welcome all of you here this morning. Proceed in any way you care to.

[The statements follow:]

STATEMENT OF EDWARD J. PFISTER

Mr. Chairman, members of the Subcommittee, I join Mrs. Rockefeller in expressing my appreciation for this opportunity to appear before you today on behalf of the Corporation for Public Broadcasting (CPB). I will share with you our views on the impact of the Administration's rescission request for fiscal year 1986, the need for supplemental appropriations for fiscal years 1984-1986, and the reasons for our request for fiscal year 1987.

First, Mr. Chairman, I would like to thank you and the Subcommittee for the support you have given public broadcasting in the past. This Subcommittee has consistently demonstrated its support for the services provided to the American public through public television and public radio. We are, of course, deeply grateful. We believe that we can assure you that the American public has been well served by the investment that you have made in public broadcasting.

Mr. Chairman, perhaps one of the most essential elements in the current structure of federal support of public broadcasting is the forward authorization, advance-year appropriation concept. This rational, predictable, long-range financing arrangement was recommended by the original Carnegie Commission report on public broadcasting and became a reality in its present form through the unified efforts of the Congress, the Executive Branch, and public broadcasting in 1975.

The advance-year concept has given public broadcasting the opportunity to plan, to grow in a stable environment (when adequate appropriations were available) and, most importantly, to be insulated from potential interference with programming through unexpected or reactive reductions in appropriations. This concept has

received solid endorsement from every Congress since 1975 and was renewed again in 1981.

However, the integrity of this vital financing arrangement comes under attack by any Executive Branch request for rescission of already appropriated funds. Congress has repeatedly rejected any Executive Branch attempts to rescind previously appropriated funds for public broadcasting and has thereby continued to provide public broadcasting with the insulation that is essential for federal support.

RESCISSION

The Administration is proposing a rescission in the funds Congress has appropriated for CPB for FY 1986 from the current level of $130 million to $110 million. We urge this Congress to protect public broadcasting once again from the violence that granting such a request would do to CPB's legal and institutional structure.

The financial impact of the Administration's rescission request can be summarized in one word: disastrous.

Public broadcasting already has been devastated by budget cuts. These reductions would destroy public broadcasting as we know it. The concept of stable and secure federal funding, as a base upon which stations could generate additional funds, would virtually disappear.

Some public television and radio stations might fail. Faced with further loss of their already-reduced federal funding, some stations would be compelled to drastically reduce their program services.

The primary effect of the Administration's proposed rescission in FY 1986 and appropriation recommendation in FY 1987 would be an

immediate termination of new program creation and a rapid reduction of programming available to local stations. Even if stations could afford to stay on the air, their program schedules will be filled with reruns. Most likely, hours of service would be terminated.

Local programming initiatives would disappear. Essential equipment has already, in many instances, been stretched beyond its projected useful life because of insufficient funds for replacement. Stations will be forced to make even deeper cuts in programming in order to purchase essential hardware to deliver what limited programming they can.

In short, the level of excellence that public broadcasting has achieved since it was founded in 1967, the excellence that the American people have come to expect, would no longer exist. Public broadcasting -- what remained of it -- would be a poor imitation of what it is now.

Mr. Chairman and members of the Subcommittee, the Congress has clearly demonstrated over the past decade that it believes public broadcasting should more than simply survive; it should thrive. The Congress has refused to accept Administration requests for budget cuts that would cripple public broadcasting. It has restored budgets, refused rescission requests and appropriated supplemental funds. Congress has required that public broadcasting accept its fair share of reductions in federal contributions to all areas of the budget. We have accepted these reductions and more. But Congress has also recognized that this valuable resource should not be decimated; that the past federal investment in public broadcasting should not be squandered.

SUPPLEMENTAL APPROPRIATIONS

We also appear before this Committee today to request supplemental appropriations to the level recently authorized by this Congress through the Federal Communications Commission Authorization Act of 1983 (P.L. 98-214). CPB requests a supplemental appropriation of $15 million for FY 1984, to bring our appropriation to the newly authorized level of $145 million; a supplemental appropriation of $23 million for FY 1985 to bring our appropriation to the new level of $153 million; and an appropriation of $32 million for FY 1986 to bring our appropriations to the authorized level of $162 million. This request represents only a 5.6 percent increase for each year. This Congress, with the recommendation of its Committees which have authorizing jurisdiction over CPB, recognized the wisdom and value of increasing the appropriation to public broadcasting in order to allow it to better accomplish its mission, rather than continue the erosion of its accomplishments to date.

It is important to place CPB's request for supplemental appropriations in the context of its financial situation since 1981. The years since the passage of the Omnibus Budget Reconciliation Act of 1981, which cut the level of funding for public broadcasting from FY 1982 to FY 1984 by a dramatic 25 percent, have been difficult times for public broadcasting. The public broadcasting community has tried its best to maintain the highest possible level of service to our viewers and listeners. This has been achieved through a series of cuts to achieve even greater economies, by innovative efforts to use our excess satellite capacity and facilities to produce additional revenues, and by increased emphasis on fund-raising. Nevertheless, the cuts have taken their toll.

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Because of the advance-year authorization and appropriations mechanisms, CPB and the stations have been able to project what the impact of dramatically reduced appropriations levels in FY 1984, 1985, and 1986 would be from what was received by public broadcasting in FY 1982. These lower funding levels are expected to result in:

- A 23% reduction in community service grants for television and a 12% reduction in national television programming;
- A 14% reduction in funds available for radio community service grants and national radio programming;
- Reductions in the ability to promote awareness of public broadcasting which also serves to stimulate private giving;
- Reductions in funding available for the expansion of services to unserved areas;
- Curtailment of continuing efforts to diversify employment and programming; and
- Reductions in support of research into technological improvements for public broadcasting and the entire telecommunications industry.

The impact of the budget cuts is severe and has already been visited on all public broadcasting stations since they were required to start making cutbacks as early as 1982 in anticipation of the FY 1983 appropriations reductions. Although it is still too soon to provide you with comprehensive statistical data on the system-wide effects of these cut is, we have some idea of what stations have been forced to do in spending their Community Service Grants (CSGs) received from CPB.

Between FY 1982 and FY 1983, the CSGs to television stations were reduced by a total of 20 percent. However, that reduction necessarily reflects itself differently in different categories of a station's budget. Some categories are more vulnerable to reduc-

tions because they represent areas over which the management has greater discretion. Our research indicates that programming and capital spending usually take a disproportionate percentage of the cuts. From FY 1982 to FY 1983, the reduction in CSGs forced the stations to reduce expenditures for local program production by 35 percent, for program acquisitions from regional networks and other sources by 39 percent, and for capital investment by 66 percent.

Similarly, in public radio, the cuts in appropriations between FY 1982 and FY 1983 resulted in an 11 percent reduction in CSGs. This resulted in a 40 percent reduction in the amount spent for program acquisitions and a 39 percent reduction in the amount spent for capital investment.

We are now at a level where we have cut too much and can reduce no more. I think we all realize that in order to fulfill our mission, we can retrench no longer. We must stop the steady, but increasingly rapid, decline in program services that have resulted from the flat appropriations level of $130 million. This is what we ask of you today.

The supplemental appropriations representing an annual increase of 5.6 percent, are not really supplemental in that all they do is allow us to maintain the present, already reduced, level of service. Without these funds, public broadcasting will have fewer and fewer real dollars each year. As CPB began FY 1984, we had already experienced a 30 percent reduction in purchasing power from our FY 1982 level of $172 million. Level appropriations of $130 million for FY 1984-86 would lead to a further erosion in real dollars. In real dollar terms, without the supplemental appropriation, we face an effective further reduction of an additional 5.7 percent per year, according to the Administration's inflation forecasts. The same dollars buy less and less.

When last we testified on the proposed $130 million, we said we could continue to provide service at the bare bones level. Unfortunately, we were too optimistic. At the time the 1984-86 funding levels were set, many hoped that alternative sources of funding would offset the decreased federal funding.

For a number of reasons, this hope has not become a reality. Support from other federal programs, such as the National Endowment for the Humanities, the National Endowment for the Arts, and the Department of Education, fell 19 percent between FY 1981 and 1982 and preliminary data on FY 1983 indicates that this decline has continued. State and local support, which typically provide approximately 36 percent of funding for public broadcasting, has also been decreasing on a nationwide basis. Despite extensive efforts, revenues from ventures such as the rental of production facilities, the commercial use of surplus satellite space, and the video cassette sales of program related materials, account for less than one percent of total revenues for most public television stations.

Public broadcasting has made an intensive effort to seek alternative non-federal sources of financial support, as you encouraged us to do in 1981. However, as the Temporary Commission on Alternative Financing, on which members of the House and Senate served, concluded: there is no alternative to a stable base of federal support if public broadcasting is to survive. This conclusion, fully substantiated by our practical experience, has been the conclusion of every prestigious panel that has explored the question of the financing of public broadcasting.

I want to emphasize the supplemental funding would <u>not</u> make up for the budget cuts we have already experienced. We are not seeking to reverse the effects of the overall federal budget cut

reflected in the Omnibus Budget Act of 1981. The supplemental appropriations would merely stabilize public broadcasting at the FY 1983 level by providing modest increases to cover inflation and fund the increased number of stations eligible for Community Service Grants. This stability is necessary to allow CPB to engage in the two to three year planning required to adjust to an overall reduced level of operations and at the same time minimize the negative impact on program development.

The program pipeline is now dangerously close to running dry. The supplemental funding that we are requesting will enable us to continue to create new programming and to avoid a return to the program schedules of years ago composed of continued reruns and low priced acquisitions. CPB feels it is critical to continue to stimulate and educate the public through a rich service.

The supplemental funding is also necessary to stimulate private sector support. CPB's funding commitment to a program series provides critical leverage to corporate and foundation giving and a "stamp of approval" which corporations require before investing in an endeavor with which they are not familiar.

Because of a CPB challenge grant, radio and television licensees were able to earn more than ten million additional dollars from individual givers last year. In part due to CPB's commitments to such television and radio programs as The MacNeil/Lehrer News Hour, Reading Rainbow for children, American Playhouse, and All Things Considered, to name a few, corporations and foundations have committed millions of dollars to fund programs. However, it has been our experience that, without the CPB investment that federal appropriations allows, corporate investment in programming is dramatically reduced.

The supplemental appropriations would be allocated to programming in basically the same percentage as at present and would leverage even more support from individuals, corporations, foundations, state and local governments, and educational institutions.

Specifically, the bulk of the funds would be used to increase Community Service Grants to help restore local programming cuts and to give stations additional funding stability.

Increases in money available for expenditure by CPB for national program production would be used for the programming priorities established by the CPB Board. Those priorities are: children's and family programming, news and public affairs, and drama. CPB will continue its commitment to America's children by developing a program schedule that enriches and educates; a schedule that provides a true alternative for family viewing to commercial schedules.

For radio, increases are required to stabilize funding because of the increase in the number of eligible stations. The increases we seek would also allow CPB to provide additional support for children's educational and instructional programming; expand efforts at diversification and employment for ethnic minorities, women and the handicapped; improve technological research and planning, and permit the purchase and analysis of viewing and listening data for public broadcasting. Expenditures for these activities must decline if our funding is left at a constant $130 million, thus jeopardizing the future of these important activities for public broadcasting.

CPB is aware of the concerns, expressed by some, that additional funds for CPB would be used to provide rehabilitative money for National Public Radio, in light of its recent financial difficulties. Mr. Chairman, I can assure you and your colleagues on this Subcommittee that our supplemental request has never been intended

to assist us in resolving the financial problem at NPR. I emphasize that the purpose of the supplemental is to enable us to restore the most important of the services we have lost over these past two years.

Let me assure you that NPR, which has understandably been a subject of great concern to the Congress, is moving toward financial stability, an assessment which is confirmed by the GAO report on NPR. We are pleased that public broadcasting was able to resolve this crisis within its own community. In making the loan to NPR, CPB insisted on prudent financial controls to permit us to monitor constantly the stability of NPR.

CPB has put into the Loan Agreement terms that allow it to monitor NPR operations at five points in each NPR fiscal year. First, CPB will approve the overall NPR fiscal budget, including expenditures for items not financed with CPB funds. Second, any significant budget changes must be approved by CPB. Third, any requests for advances under the Line of Credit provided by CPB must be justified to CPB's satisfaction. Fourth, NPR must provide CPB with a detailed financial status report on a month-by-month basis. Finally, at the end of any year covered by the Loan Agreement, NPR must provide CPB with a complete copy of its independently audited financial statement and any management letters that accompany it. In addition, CPB has fully implemented the requirements attached to CPB's supplemental authorization legislation passed by this Congress last session. Specifically, NPR must demonstrate, to CPB's satisfaction: (a) that NPR has implemented financial controls and procedures that will ensure prudent management practices; (b) that NPR has adopted a budget under which reasonably projected expenditures will not exceed reasonably projected revenues; and

(c) that NPR's accounting system provide CPB with continuous access to all financial books and records of NPR.

NPR is back on the road to financial health; CPB will closely monitor its progress.

FY 1987 APPROPRIATION

Finally, this Committee today is also considering CPB's request for an appropriation for FY 1987. CPB is grateful to the Committee for hearing its request at this time, and CPB plans to request authorization for its appropriation request as soon as our authorizing Committees are able to schedule hearings for us.

For FY 1987, CPB respectfully requests an appropriation of $238 million. This level of appropriation will permit CPB to resume its role as catalyst for the growth and development of public broadcasting, and will allow CPB to guarantee that core of diverse program services that Congress and the American people continually demand and expect of public broadcasting.

Specifically, this level of funding would allow increases in Community Service Grants to restore stations' lost purchasing power. They would allow for the rebuilding and modernization of services and facilities which have been postponed during this budget-cutting era but can be postponed no longer. The funds would allow CPB to redirect a greater portion of its resources to its top priorities: children's and educational programming.

The vacuum in the educational agenda for America's children, particularly in the area of science, math and reading skills, is a subject of increasing public concern, indeed, alarm. Public television is a unique asset that can be applied to meet these needs with creative, educational programming that can supplement classroom teaching. The National Science Board has found that

public television programming provides an important opportunity to reinforce the lessons of the classroom and lend meaning and revenue to the vigor and discipline of formal study. We have already begun modest efforts in this direction with programs such as Reading Rainbow, 3-2-1 Contact, Nova, Community of Living Things, and Human Community. However, to move aggressively to meet this gap in the formal educational programs available to our children, we need additional money. This year, we are embarking on a Children's and Educational Initiative, which will result in a fifteen year strategy for using telecommunications to reinforce the educational experience of children and adults at each stage of their development in a broad range of subject matter, including math, science, and languages. This strategy will provide a blueprint for all sources of programming and media. By the year 2000, we would hope to be able to serve all Americans from the age of two through their adult learning years with a choice of educational programming in both formal and informal settings.

CPB is currently evaluating alternatives for serving the special audiences of America - the visually impaired, the hearing impaired, and the elderly or homebound - with programming by broadcast means and nonbroadcast means. This includes the exciting potential of braille printers or audio playback on microcomputers for the blind, and the use of teletext to provide information to the hearing impaired.

We are also initiating a new evaluation of the needs and interests of minority viewers and listeners, pursuing audience data not now available, so that we can increase our programming for minorities even as we pursue programming by and about minorities. We believe this investment to be a cost-effective

proposal that will benefit the country's most treasured resource, its young people.

In addition, the appropriation level requested for FY 1987 will permit CPB to continue its investment in the production of instructional programs, which is a condition to CPB's retention of the grant made by The Annenberg School of Communications for post-secondary instructional programs.

Finally, this appropriation level would permit CPB to resume a more productive level of the activity it does best - providing directly, and stimulating the provision of high quality, diverse, creative, innovative and excellent programming for the Nation's television audience.

The list of programmatic successes made possible by CPB program investments is long and well-known to this Subcommittee. Much of the public broadcasting programming, which has set new standards of excellence for television, has resulted from direct CPB investment, or from CPB financial assistance which lowers the price of public broadcasting stations of this fine programming. CPB has provided a base of high quality programs for public television and public radio stations to build upon and also has provided the means of access for new sources of creativity and innovation, as well as specialized programming aimed at groups in our society typically underserved by any other broadcast media.

CPB provides the only significant and stable source of funds for these program activities. It will only be with an appropriation of $238 million in FY 1987 that CPB can continue these activities at any reasonable level of commitment.

The Administration's proposed FY 1987 appropriation of $100 million represents a continuation of the Administration's plan to phase-out federal funding for CPB. Such a plan has been

rejected by Congress on numerous occasions. The Administration has indicated that the difference between the low level of federal appropriations that it suggests and a level which more reasonably reflects the costs of CPB's mission should be made up by private sector contributions. Eventually, the Administration would have the total costs of public broadcasting be borne solely by private contributions. However, CPB's research, corroborated by others, indicates that private giving can never be expected to provide sufficient additional revenues to replace the federal contribution.

Why is there no substitute for federal funding? Two reasons. First, public broadcasting's financial base is premised on matching private contributions with public appropriations. CPB would be entitled to receive about $400 million under the 2:1 formula set out in the Public Telecommunications Financing Act of 1978 whereby for every $2 of non-federal funds raised, the federal government contributes $1. In practice the contributions to dollars appropriated to CPB has been closer to five to one. Still, the concept has been successful. The federal matching funds provide an incentive for private contributions.

The second reason is that the plan for a federal funding phase-out is dependent on the generation of funds through commercial ventures to sustain public broadcasting. However, every reputable blue ribbon panel that has studied the issue of alternative funding for public broadcasting has reached the same conclusion. Advertising is not and cannot be a substitute for a stable base of federal funding. Public Broadcasting has made and will continue to make every reasonable effort to initiate commercial activities which are financially sound and which do not divert it from its basic mission.

This Subcommittee has demonstrated its understanding of the mission we at CPB have undertaken. We strive to serve the American people through cultural, educational and public affairs programming that would otherwise be unavailable. Because of you, public broadcasting plays a vital role in our society.

Without us, television would consist primarily of what many of us perceive to be uninspired programming that appeals to the lowest common denominator in taste. In addition, there is every reason to believe that, without us, important programming needs of children, the elderly, minorities, and handicapped audiences will not be served.

Without us, radio would be deprived of important news and public affairs programming, as well as programs targeted for special audiences, including the handicapped and minorities.

You have supported us in our mission. I trust you will continue to do so.

Thank you for this opportunity to appear before you today. We would be pleased to respond to any questions that you may have.

(Figures in Millions)

Account	1983 actual	1984 request	1984 appropriation	1984 (including supps. and rescis.)	1985 estimate (for each activity)
PUBLIC BROADCASTING FUND	$130 (1985)	$162 (1986)	$130 (1986)	Supps. $145 (1984) $153 (1985) $162 (1986) Admin. Rescis. $110 (1986)	CPB Request $238 (1987) Admin. Request $100 (1987)

STATEMENT OF SHARON P. ROCKEFELLER

Mr. Chairman and members of the subcommittee: I welcome the opportunity to appear before you today to discuss proposed supplemental appropriations for CPB for fiscal year 1984–86 and CPB's appropriation for fiscal year 1987. These funds are vitally needed to halt and reverse the downward funding spiral of Federal support for public broadcasting.

Simply stated, some of the effects of the Federal cutbacks have been:

CSG's have been reduced 23 percent for television and 14 percent for radio, while the number of eligible stations has increased;

CPB funding for national television programing has been cut 12 percent; national radio production has been cut 14 percent;

CPB initiatives to increase funding for children's educational and instructional programs have stalled;

Important educational series, such as "3–2–1 Contact," lack adequate production funds even as the national demand for science and math instruction increases. A companion math series, again for 8 to 12 year olds, needs startup funds;

Specific audience series such as "Overeasy" for the elderly have been canceled while our senior citizen population increases in size;

CPB support for national program advertising and national fundraising, which stimulate private giving, have been eliminated;

PBS program distribution hours were reduced 50 percent;

Local program production has been drastically reduced for television, an average of 3.4 hours per week per station is being produced;

Broadcast hours have been reduced;

Equipment maintenance and purchases, necessary for high-quality program production, have been postponed;

CPB support for television interconnection costs has been reduced 28 percent; support for the interconnection of new television stations has been terminated;

CPB funding for the expansion of services to unserved areas and audiences, particularly for radio, has been eliminated;

CPB efforts to diversify public broadcasting's employment and programs have been severely curtailed. A special program to encourage minority ownership and control has been dropped;

CPB support for women's and minority training programs, diversity efforts, policy planning and research has decreased 40 percent;

CPB purchase of audience research data has diminished;

CPB technological research to improve the quality and reach of public broadcasting services has been halted;

CPB's $5 million challenge grant incentive for stations to raise more non-Federal funds cannot be repeated.

Television was once called a vast wasteland. The duty, then, of public TV and radio is to irrigate that wasteland. Public broadcasting was, is and shall be educational broadcasting. Two of the most important and influential educational institutions in our country are now television and radio.

Just as there has been adequate Federal public support for elementary and high schools: Universities and libraries, because they well serve the national public interest, so there should also be adequate Federal seed money for public broadcasting. Federal funding is the catalyst which stimulates State and local governments, corporations, foundations, and individuals to provide 80 percent of our total revenues.

Preserving the noncommercial character of public broadcasting is one of the most difficult challenges we face. During times of reduced governmental appropriations, our system faces many pressures and temptations to move away from its fundamental educational mission.

More than 100 million Americans want and need public radio and television programs. Why? Children's shows: "Sesame Street," "the Electric Company," "3–2–1 Contact," and "Mr. Rogers." News and public affairs: "Morning Edition," "All Things Considered," "the MacNeil-Lehrer News Hour," "Washington Week in Review," and "Frontline." Business coverage: "Wall Street Week," "the Nightly Business Report," and "Enterprise." Science programs: "NOVA" and "Nature." Because they provide the

highest quality educational and information programing available. They rest on a radical assumption: They presume intelligence in the viewer. That is the distinctive difference of public broadcasting. I believe that an informed citizenry, capable of making wise personal and public judgments, depends largely on the quality of broadcast information available. Indeed, public broadcasting has established a standard of excellence against which all radio and television should be measured.

Just a few moments ago, I mentioned children's programing. That is a special concern of mine. Children's programs are the highest priority of the CPB program fund. Let me say that I am neither an educator, nor a child development expert. But I am the mother of four children, ages 4 to 14, and that does give me a certain expertise in these matters.

The New York Times recently wrote that "the state of children's programing is rapidly becoming a national disgrace." The reason for this concern is clear. The statistics are frightening. The television is turned on for 7 hours and 2 minutes per day in the average American home. Preschoolers, aged 2 to 5, watch 26 hours per week or about 4 hours per day. One-third of their waking hours are spent watching TV. Six to eleven year olds average 24 hours per week. By the time an American child graduates from high school, some 11,000 hours will have been spent in the classroom. By comparison, the same student will spend 15,000 hours in front of the television set.

We all recognize that television possesses an immense potential to affect children—for their benefit, as well as to their detriment. It is interesting to note that Headstart—a success by all accounts—serves 415,000 children per year, while "Sesame Street," "Mr. Rogers," "the Electric Company," and "3-2-1 Contact," all substantially funded by CPB, reach 10 million homes each week.

Three-quarters of all households with children under the age of six watch public TV regularly. It also serves 20 million school children and 1 million college and adult learners per year. Thirty percent of all program hours are instructional programs for children, either in school or at home.

"3-2-1 Contact," a science program for children ages 8 to 12, is seen by 4.3 million children. Unfortunately, we had funds for only 20 new shows this year. Indeed, we urgently need funding to initiate a companion math program, again for 8 to 12 year olds, like the phenomenally successful "3-2-1 Contact." Ten million high school students benefit from public TV's "NOVA" in the classroom. We need funds for more science, more math.

In the past year or two—when the commercial networks have virtually abandoned quality children's programing, except for omnipresent cartoons—CPB has further strengthened its commitment. I'm particularly proud of two of these series: "Wonderworks" and "Reading Rainbow." "Wonderworks" with a $6 million commitment from CPB, is a prime-time series for 6 to 12 year old children and their families which will begin this fall. "Reading Rainbow" is designed to help children retain reading skills during the summer months. Six and one-half million children watched "Reading Rainbow" each week, including a 9-year-old girl from Chattanoogs, Tenn., who read 210 books in 3 months! Another read 106. This year, we had funds only for five new shows.

Public television is determined to offer children the best possible programs. The thousands of hours spent in front of the television set should be hours of learning, enrichment, stimulation, and increased understanding of our complex world. As parents, we must leave a heritage to our children of something more than "the Dukes of Hazzard!"

Edward R. Murrow said: "television can teach, it can illuminate: Yes, it can even inspire. But it can do so only to the extent that humans are determined to use it to these ends. Otherwise, it is merely lights and wires in a box."

With your steadfast commitment, we shall continue to build an even better and brighter future for our Nation's most precious resource—our children.

Thank you.

ORAL STATEMENT OF MRS. ROCKEFELLER

Mrs. ROCKEFELLER. We are indeed here to discuss with you the proposed administration rescission for 1986 of $20 million, the proposed supplemental appropriations for fiscal years 1984, 1985, and 1986, and CPB's regular appropriation for 1987.

We do have a unique system of authorization and funding. We are multiyear authorized and 2-year forward funded, so your 1985 numbers are our 1987 numbers.

The first point I would like to make is this: One hundred million Americans choose to listen to public radio and television every single week and 75 percent choose to listen and watch every single month.

You might ask us why so many Americans keep making these choices. I think, first of all, for the children's programing, which is undeniably the best in the United States: "Sesame Street," "the Electric Company," "3–2–1 Contact;" news and public affairs: "Morning Edition," "All Things Considered," "MacNeil-Lehrer," "Frontline," "Lawmakers," "Washington Week in Review;" business coverage: "Wall Street Week," "the Nightly Business Report," and "Enterprise;" science programs: "Nova" and "Nature." Public broadcasting provides the highest quality educational and information programing available.

This is the way I put it: It rests on a radical assumption—it actually presumes intelligence in the listener or viewer. I think that is exactly what is the distinctive difference of public broadcasting. It's an education service; it is there to inform our citizenry so that they can make better and wiser public and personal judgments. We believe, in fact, that public television and public radio have established a standard of excellence against which all radio and TV in this country should be measured.

As you know, we've suffered 25 percent Federal cutbacks in the last 2 years. I'll give you five short examples of what the effects of some of these cutbacks have been.

First of all, the community service grants, the unrestricted grants that go to the stations across the country, have been reduced 23 percent for television and 14 percent for radio at the same time that the number of eligible stations has increased.

CPB funding for national television programing has been cut 12 percent; radio production has been cut 14 percent.

CPB initiatives for our highest priority, children's educational and instructional programing, has almost been stalled, although that still continues to be our top priority and we'll do all we can.

Important educational series, such as "3–2–1 Contact," in this age when there is so much emphasis now and national demand for math and science, cannot continue to produce as many programs as they should. We have been trying to get a companion math series, again for 8 to 12 year olds, off the ground. We found that already by the age of 11 or 12 girls, and particularly minority children, and many boys as well, have decided that science and math are not their fields. It's too hard, they can't do it, and so they are, therefore, cutting themselves out

of enormous future possibilities. We want to stop that erosion at that very young and tender age.

Our fifth cut would be, for example, a program like "Overeasy," which was the only series for the elderly in this country. It has been canceled due to lack of funding, and that's just a terrible shame. In fact, it's quite a disgrace.

Seventy-five percent of our revenues come from non-Federal sources, but it's the Federal money that is the seed money that helps us raise the rest of that money from States, localities, corporations, individuals, and foundations. We're very proud of our track record of raising more money in this country than any other agency or institution other than the United Way, which, of course, has many programs attached to it.

Thank you again for this opportunity, and good morning, Senator Burdick.

ORAL STATEMENT OF MR. PFISTER

Mr. PFISTER. Senator, I would like to just add, if I may, some points of emphasis which I will cover very quickly.

The first one is that 2 years ago public broadcasting thought that financial belt-tightening and a variety of commercial activities would permit all of us to absorb a 25-percent reduction in Federal funding. We were wrong. The cuts were too deep, too deep to be overcome by any kind of reasonable austerity or by any level of reasonable success in the commercial marketplace.

Second, I would like to say that, as a result of the first cut in fiscal year 1983 of $35 million Federal, we already see signs of some erosion which, because of the Federal commitment this year and for the next 2 years, will inevitably lead to what we think will be mediocrity in public broadcasting.

The erosion of last year will certainly deepen with the $130 million Federal funding level this year. In the next 2 years Federal funding levels of $130 million will further deepen that erosion.

We are, in our view, in a classic catch-22 situation.

Third, if we are to stop the erosion, we believe, we must act very quickly. Our request for supplemental funding will enable us to operate at levels equal to the Federal Government's commitment of $137 million last year. In short, most of the supplemental funding we are seeking for fiscal years 1984, 1985, and 1986 will cover the cost of inflation. If we are able to obtain the supplementals and on that basis plan for the last years of this decade, we think that not only will erosion be stopped, but that progress can again be forecast for public broadcasting in this country.

Fourth, for fiscal year 1987 we respectfully seek an appropriation of $238 million. With this amount CPB can guarantee a continuing high-level commitment to local and national program services which are already slipping, and we can place particular emphasis on children's and educational television programing and the orderly development of the last 30 percent of the public radio system.

After intensive analysis and careful planning we are now more certain than ever that at least 25 percent of public broadcasting's operating budget must be made available on an annual basis by the Federal Government. There are no other workable or acceptable alternatives. Federal dollars enable the leveraging of adequate non-Federal support; enable the stability necessary for planning; and enable the quality and the excellence of service on which all continuing support depends.

Senator, I just want you to know that I for one am pleased that you didn't make it to Connecticut and that you are here with us this morning.

Thank you for the opportunity to appear before you this morning.

FISCAL YEAR 1987 REQUEST

Senator WEICKER. As I understand it, we're talking about fiscal year 1987, is that correct?

Mrs. ROCKEFELLER. That's right.

Senator WEICKER. As far as the request is concerned, CPB has requested $238 million and the administration's request is for $100 million; is that correct?

Mrs. ROCKEFELLER. That's correct.

Mr. PFISTER. That's correct.

SUPPLEMENTAL REQUESTS FOR FISCAL YEARS 1984–86

Senator WEICKER. What is the supplemental? What are you asking for here?

Mrs. ROCKEFELLER. A total of $70 million for 1984, 1985, and 1986: $15 million for 1984, $23 million for 1985, and $32 million for 1986.

Senator WEICKER. What did you get for fiscal year 1984?

Mrs. ROCKEFELLER. One hundred and thirty million dollars.

Senator WEICKER. And for 1985 and 1986?

Mrs. ROCKEFELLER. One hundred and thirty million dollars, exactly the same as for 1984.

Senator WEICKER. You want a supplemental for fiscal year 1984 of $15 million, and that's what you are in the middle of right now.

Mr. PFISTER. That's right.

Senator WEICKER. What happens if you don't get that $15 million in fiscal year 1984?

Mr. PFISTER. We'll have further erosion which will be harder to overcome in the future.

Senator WEICKER. What did you request for fiscal year 1984 at the time you requested it, which would have been a couple of years ago?

Mrs. ROCKEFELLER. The authorization ceiling was $130 million, so we could request no more than that; the authorization was just raised in November, I think it was, to $145 million for 1984.

Senator WEICKER. So what you are asking is to bring yourselves up to the authorization level with these three requests?

Mrs. ROCKEFELLER. Exactly.

Mr. PFISTER. Right. And the authorization level, Senator, was raised at a level of 5.6 percent a year, the inflation rate used by the Congressional Budget Office.

AUTHORIZATION FOR FISCAL YEAR 1987

Senator WEICKER. The figure $238 million for fiscal year 1987, is that in the authorization bill also?

Mr. PFISTER. No.

Mrs. ROCKEFELLER. We are going to have those hearings this month in both the Senate and the House.

FISCAL YEAR 1987 REQUEST

Senator WEICKER. The $238 million figure for fiscal year 1987, which needs new authorization, is that a figure that you are comfortable with in terms of being able to achieve what you feel you can achieve?

Mr. PFISTER. Yes, sir. That's exactly how we've computed it.

Senator WEICKER. Do you have any complaints at all? It seems to me you might as well go for what you want.

Mr. PFISTER. Yes, sir. That's what we are here to do.

Senator WEICKER. You don't have to lessen it for fear of what is going to happen. What is going to happen is going to happen. But we've got to hear from you as to what you need.

Mr. PFISTER. That's the most comfortable bottom line on which we can continue in 1987.

Senator WEICKER. And you feel that that will enable you to go ahead and produce the types of programs which at the present time you feel are being diminished by the insuffiency of funding?

Mrs. ROCKEFELLER. It would effectively return us to the level of service of 1982, before we received the cuts. So it's no actual increase. It's 3 years away; it has got the inflation factor built in; it returns and restores the services that were cut. So effectively it brings us in 1987 to exactly where we were in 1982.

Mr. PFISTER. But in 1982 we were providing the kinds of services we've always felt we should be providing.

NATIONAL PUBLIC RADIO

Senator WEICKER. Like you, I've got very young children. They range all the way from four on up. I think from the children's point of view, two things. No. 1, I think the commercial programing is a national disgrace, and I think whatever good programing exists does exist on public broadcasting. The quality of the other shows is also outstanding. In the sense of quality, I have no questions at all. I'm all for the funding request.

Bring me up to date. Has National Public Radio been folded into your operations? Is that part of your operations?

Mrs. ROCKEFELLER. No; NPR is a separate autonomous organization, but because of the fiscal crisis they just underwent, an amendment was added to the FCC Authorization Act of 1983, which imposes special

oversight responsibilities on CPB for the next 3 years while the loan is being repaid so that nothing can go awry between now and then. And, we hope certainly not in the future either.

Mr. PFISTER. They are not folded in, Senator, but we have the closest possible financial relationship.

Senator WEICKER. In other words, you're looking over their shoulder in a fiscal sense.

Mr. PFISTER. Yes, sir. And they're on the way to recovery.

Senator WEICKER. And if there is anything wrong, you would report that to this committee?

Mrs. ROCKEFELLER. Immediately.

Mr. PFISTER. Yes, sir, immediately.

CPB FINANCIAL CONTROLS

Senator WEICKER. What are your controls? It's very difficult for a layman such as myself to know whether you are paying a proper amount for these shows. As I say, I have no argument with the quality at all. How do you know the money is being spent properly in relation to the general world of entertainment out there?

Mr. PFISTER. Our money, totally?

Senator WEICKER. Yes; who passes on that?

Mr. PFISTER. Our money is spent in a variety of ways where it has a number of check points. The check points for our money always start and end inside of the Corporation. I am persuaded that it costs about one-third to one-half, most of the time near the lower end of that measurement, for us to produce top quality programing as compared with the commercial sector. So that's a general kind of a barometer. We spend, on our national schedule, just about $120-or-so million a year on the television side. That would not buy one commercial network's programing for 1 year. As a matter of fact, it would probably be about 20 percent of a commercial network's programing. So we have that general barometer.

We also work very hard to leverage our money so that money coming in to support our product comes from the station community which gets money from a host of sources, including individuals. We also make arrangements with commercial entities, cable companies, foreign producers, so that our money can be even more leveraged than it is now.

I think the best example to give you, Senator, is that we pay now about $3 million a year of CPB's money in the development of an American based drama series called "American Playhouse." That money leverages about $15 million more a year so that the total package that comes out at the other end is about $18 million, and even that total package at $18 million would probably cost $36 million in commercial terms.

We are always leveraging our money and we are always checking it against all of the barometers that exist inside of the whole institution of broadcasting.

NON-FEDERAL FINANCIAL SUPPORT

Senator WEICKER. What is the breakdown between the money the Government puts up and the money that is contributed? How does that break down?

Mr. PFISTER. It's about 20 percent or so from CPB right now and 80 percent from the rest of the noncommercial broadcasting financial resources.

Senator WEICKER. Individuals?

Mr. PFISTER. Individuals, corporations, foundations, State governments, local governments, universities, school districts. It is a mix; it is a great varietal mix which has been developed over the past 15 years very carefully.

Senator WEICKER. Twenty/eighty?

Mr. PFISTER. Yes; we would like it one day to be 25/75 again, and that is what we are hoping now to begin to rebuild here.

Mrs. ROCKEFELLER. For example, the "MacNeil-Lehrer News Hour" that just went on. AT&T put in $12 million, I think; CPB put in $3 million. Without CPB's money I don't know, and I sincerely doubt, whether AT&T would put theirs in. They need the so-called stamp of approval. CPB has a television program fund of $20 million a year.

An example I've often used in comparison in magnitude—and we do have lower talent rates and union rates and there are some breaks in this game, but not nearly as much as half of the actual cost—there was a mini series on, I think NBC, last year called "Winds of War." It was about World War II. It was 13 hours of programing and about 1 hour of content. It cost them $40 million to produce it, and $20 million to advertise it. So it was a $60 million package for 3 nights, and we've got one-third that amount for the entire year for all children's, all public affairs, everything we do.

So I think we squeeze these dollars and leverage them as best as can be possibly done.

Senator WEICKER. I agree.

I have other questions which will be submitted for the record. I will give you my indication to move forward with the request as it was presented. I think you do very, very fine work, and if you weren't doing it, nobody would be.

We talk about education, and God knows our children are our most valuable resource around here and you reach them like nobody reaches them. If this is going to be the time when we concentrate on education and knowledge, it certainly isn't the time to be cutting back on one way that best reaches all the children of this country.

Senator Burdick.

PRIVATE SUPPORT

Senator BURDICK. I might say right out that I agree with the statements of the chairman.

There is one area that I would like to have you answer.

About 2 years ago there was a big argument made of the fact that you could replace some of this money with private giving. That would seem to be the great panacea and the answer to all these problems. In this 2- or 3-year period that has passed what has happened to private giving?

Mrs. ROCKEFELLER. Private giving has increased slightly, but here are the projections. From individual viewers there are 2 or 3 years of growth, maximum and then it will level off. What happens is the stations reach a certain point of penetration and then it doesn't increase. The size of the gift is increasing nicely; it's up to an average of $49 per family per year, which is good, but the number of individuals contributing is only 3½ million, and that is not increasing.

The good news from the cable front is we're seen with equal strength in many more homes. The bad news is that more of a family's budget is going to HBO and other pay cable services, and the contribution then to the public television station is decreasing.

So it's a mixed front. It still is a very good source of income; it still is obviously a very good principal source; but we don't believe there is going to be a lot of growth in that area.

We would expect there to be growth, or would hope there would be growth, from corporations, but in fact the total dollars are decreasing, once again, as many more demands are made on them to perform other social services in the country. State and local government contributions are increasing only slightly less than the rate of inflation. In terms of making private money or getting into corporate or profit making ventures, we believe it would yield less than 1 percent of the total income, and I think we've always got to watch that time is being spent doing our own business, and that is public broadcasting. This is one of the areas in which NPR got in terrible trouble. They were spending all of their time and energy trying to make money on the outside while they weren't focusing—and that's only one small reason for their problems—on their main business.

Mr. PFISTER. Senator, it's important, I think, to just add one footnote to what Mrs. Rockefeller shared with you.

In this country there is only one agency which is a multifaceted agency, if you will, that is more successful and more enterprising than public broadcasting in raising private funds, and that is the United Way. They have many purposes; our people have a single purpose. Our people are very accomplished. I call them the most accomplished beggars in the country in terms of using their faculties as well as they use their facilities.

We have built our institution on private giving. We have been able to do this because the level of Federal funding for the last 15 years has enabled us to create the proper leverages, and that is why we are here telling all of you that if we can get back to $238 million in 1987 those leverages will again be back in place. But, as Mrs. Rockefeller points out, private giving cannot do it alone, and if there is no leverage point and if there are inadequate services, the private giving begins to turn

away. That's the catch-22 I referred to earlier. As you decrease the quantity and the quality of your services, the people of this country who now give us collectively $130 million out of their own families begin to go elsewhere, corporations go elsewhere, and foundations go elsewhere.

Senator BURDICK. When I heard the suggestion 2 years ago I had the same misgivings about it.

Mr. PFISTER. We tried, sir. We tried very, very hard, and we are here to tell you that we were wrong in predicting that we could even do it. We can't, not without Federal funding.

Senator BURDICK. Thank you very much.

Senator WEICKER. Thank you, Senator.

Mr. PFISTER. Thank you, Senator, very much.

Senator WEICKER. I would like to ask that any statements submitted for the record be printed at this point.

[The statement follows:]

STATEMENT OF SENATOR ROBERT C. BYRD

Mrs. Rockeller, as always, I believe that you and your associates have made an excellent case for strong Federal support of public broadcasting. I was impressed with your entire prepared statement, but one point, in particular, struck me. You indicated that the average American preschool age child spends one-third of his or her waking hours watching television, and the figure is nearly as high for children who are between the ages of 6 and 11 years old. Given those figures and the general concerns about the low quality of most television broadcasting today, if there is any heartening news in your statement, it is that three-quarters of American households with preschool age children watch public television regularly.

Our children are our most important resource. They represent the future of America. For us to agree with the administration's reduced funding estimates would, I believe, be shortsighted. To skimp on essential Federal funding to the point where the same episodes of "Sesame Street," "Mr. Rogers" and other children's programs are rerun several times due to inadequate funds for new programing, would be a poor investment. Those children likely will turn to other channels and one of the principle services of public broadcasting would be lost.

It seems clear to me that the Corporation for Public Broadcasting needs and deserves our support.

So, I hope to work with the chairman and others on this subcommittee, as I have in the past, to insure that the Corporation for Public Broadcasting has the Federal financial support it needs to perform the first-class educational service of which it is capable for both the children and the adults of this Nation.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be some additional questions to be answered for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

RESCISSIONS

Question: The Administration has requested a rescission that would reduce the Corporation for Public Broadcasting's FY 86 appropriation by $20 million. What would be the impact on public broadcasting if the Administration proposal were approved?

Answer: In one word, devastating. At $110 million, public broadcasting will not be able to meet its statutory and public policy obligations. Funds to stations will be cut at the same time that additional burdens will be placed upon them to finance fixed costs which CPB cannot finance. Support for program production will be reduced causing cancellation of a number of programs.

NPR DEFICIT

Question: In your opinion, what were the reasons for the financial difficulties experienced by National Public Radio?

Answer: In hindsight, it appears that the NPR was overly optimistic when it adopted NPR's 1983 budget, anticipating about $26 million in revenues. This mistake in judgment would not have brought about such serious consequences if NPR management had had in place a reliable system for monitoring its income and expenditures. Unfortunately, at the very time NPR most needed a competent financial reporting system, it was in a transition from one system to another, and very little information was available on which sound judgments could be made. This lack of financial monitoring and management was exacerbated by NPR's commitment of substantial resources to its entrepreneurial ventures, with no countervailing income.

While we believe the crisis could and should have been avoided, we have learned nothing that would indicate that the problems resulted from intentional wrongdoing — a finding which is supported by the GAO report. It was a tragic confluence of unrealistic expectations, an unreliable financial reporting system, and the absence of effective management.

Question: Should the Corporation for Public Broadcasting have known of the problems sooner?

Answer: Perhaps, but only at the expense of NPR's independence and autonomy. CPB and NPR are separate, independent organizations, established for entirely different purposes. CPB provides funds to NPR to produce national radio programs and to operate the satellite interconnection system. NPR engages in numerous other activities on behalf of its member stations, but program production and interconnection services are the only two activities that are in part funded by CPB. Out of respect for NPR's independence, CPB restricted its oversight of NPR's activities to the limited issue of whether NPR was fulfilling its obligations under contracts with CPB. In other words, was the national radio programming being produced and was the interconnection system properly operated? CPB audits and ongoing oversight of NPR consistently indicated that NPR was performing well under its contracts and that CPB funds were being expended and accounted for properly. Thus, considering CPB's relationship with NPR, and considering the positive information NPR continuously provided to CPB concerning CPB-funded activities, the only way CPB could have known of the problems sooner would have required an intrusion into NPR's general operations in a manner which, at the time, seemed unnecessary and undesirable.

Question: Taking everything into consideration, should the Corporation for Public Broadcasting have done anything differently with respect to the National Public Radio (NPR) situation?

Answer: No, taking everything into consideration, the financial crisis at NPR was resolved in the best way possible. CPB was able to design a loan package that ensured repayment to CPB, that infused NPR with sufficient funds to stabilize its operations, that required NPR's member stations to take greater responsibility for NPR's fiscal condition, that protected NPR's independence and automony, and that secured the uninterrupted operation of the public radio satellite system. The problem was solved within the public broadcasting community, and it was solved in a manner that required NPR to establish the necessary financial controls to avoid a recurrence of the crisis.

Question: What was your initial response as the difficulties at NPR began to unfold?

Answer: When former NPR President Frank Mankiewicz first informed CPB in early March, 1983, that NPR was suffering a $2.8 million deficit, CPB's initial response was genuine concern. This reaction was tempered somewhat by NPR's assurances that it had the situation under control and the deficit would be contained. As time went on and the deficit was discovered to be increasingly higher, CPB feared that NPR would prove unable to fulfill its obligations under its contracts with CPB to produce national radio programming and to operate the public radio satellite system. In addition, CPB realized that NPR could not resolve its difficulties alone, and would need massive outside financial assistance. CPB then moved very quickly to begin designing a suitable means of aiding NPR. The result was the loan agreement, signed several weeks later, that extended a line of credit to NPR, secured by NPR's member stations, that imposed strict financial monitoring and reporting controls on NPR, and that transferred NPR's satellite interconnection equipment to public trustees for the benefit of the public radio stations.

Question: What assurances does the Corporation for Public Broadcasting have that conditions leading to the difficulties experienced by NPR could not occur again?

Answer: CPB is relying on two factors to protect against a recurrence of last year's crisis. The first is that NPR itself has learned a hard lesson from this experience, and is a better organization as a result. The stations are taking a more active role in the oversight and control of the Board of Directors and management. Similarly, the Board and management, both of which are composed of a good mix of old and new players, have learned the importance of prudence, responsibility and candor. There appears to be a genuine determination within NPR to turn over a new leaf and rebuild the organization on sound financial principles. It is upon this apparent internal change toward good management that CPB must ultimately rely for assurance that the future will not repeat the past.

In addition, CPB has a much clearer mandate to monitor NPR's overall financial activities. In the past, CPB has refrained from closely examining those activities not funded by CPB. The recently enacted Federal Communications Commission Authorization Act of 1983 (P.L. 98-214) (viz., Sec. 5) now requires CPB to scrutinize NPR more closely during the period that there is a balance due on CPB's loan to NPR. In addition, the loan agreement itself gives CPB the right to much more extensive review and control of NPR's financial condition than had previously been imposed. CPB will therefore be in a position to know of difficulties much earlier than in the past, and will have a greater ability to affect the response to the problem. As a result, the kind of situation that occurred last year, when the deficit was building up and burgeoning out of control with virtually no one aware of it or doing anything to stop it, is most unlikely to occur again.

Question: Do you feel that Congress should provide additional statutory authority to CPB to exercise your financial oversight responsibilities?

Answer: No, not in light of the extensive powers and responsibilities conferred on CPB by the Public Broadcasting Act and the CPB-related sections of the FCC Authorization Act of 1983. The Public Broadcasting Act requires that NPR, as an entity receiving funds from CPB, keep its records in any form required by CPB and to furnish CPB with whatever financial information CPB might require. In addition, it authorizes CPB to examine NPR's records, and to audit all funds received and expended for public telecommunications. The FCC Authorization Act of 1983 requires CPB to determine, before providing funds to NPR, that NPR has adopted adequate financial controls, a balanced budget, and a financial reporting system that gives CPB continuous access to all of NPR's books and records. These various provisions give CPB sufficient authority to conduct its financial oversight of NPR.

Question: How large is NPR's bureaucracy and how has its structure changed in view of its recent financial crisis?

Answer: In March, 1983, NPR had 459 personnel on board. In their most recent financial report of February 21, 1984, to CPB, the staffing level was 308.

CABLE TELEVISION

Question: In a report published by Connecticut Educational Telecommunication, the statement is made that "competition from cable" has had an impact upon development efforts. Is this a serious problem, and if so, how are the public TV stations across the country dealing with it?

Answer: Data collected by the Electronic Media Tracking Service show that cable households are less likely to contribute to public television stations than non-cable households. This research indicates that approximately 33 to 34 percent of noncable households contribute to public television, whereas only 19 to 20 percent of cable homes contribute. Moreover, other studies show that cable households are less likely to renew their public television subscriptions, 61 percent of pay cable households as compared with 73 percent of noncable households.

In fiscal year 1982, subscriber income comprised almost one-fifth of public television's total income. Clearly, if cable households are not as apt to contribute as noncable households and if cable penetration increases as expected through 1990, then an important source of non-federal income for public television may be threatened.

National studies have shown, however, that some fundraising techniques appear more effective in soliciting contributions from cable homes. For example, cable homes are more likely to respond to mailed renewal notices than noncable homes, and conversely, noncable homes are more likely to respond to telephone pledges than cable homes. To offset potential losses in subscription income, public television stations will need to explore ways to increase the frequency of contributions in cable households and investigate different types of fundraising strategies designed specifically to attract cable members.

CPB BOARD EXPENSES

Question: How successful were you in keeping down Board expenses last year? In fiscal 1982, for example, these costs were reduced by 35 percent over the previous year. That's to be commended. Please let us have a detailed breakdown of the Board's expenses for fiscal year 1983.

Answer: The following were the FY 1983 expenses for the CPB Board of Directors:

Personnel and Related Costs	$69,164
Fees and Travel	126,726
Meeting Expenses	14,443
Other Costs (Subscriptions, Registration Fees, Delivery Services, etc.)	17,159
TOTAL	$227,492

ADVERTISING

Question: I understand that roughly five percent of the stations within the public broadcasting system do not concur with your advertising policy and are presently asking Congress for authority to use limited advertising on a voluntary basis to enhance their financial stability. Why should stations be denied the opportunity to use more efficiently the time slots between programs? Isn't that what we're really talking about?

Answer: Yes, from the perspective of the eleven stations which have requested the option to advertise it appears to be a productive use of the time slots between programs. This option, however, ignores a very important current use of those time slots. As the time slots are currently used, they promote other public broadcasting programs and they encourage membership and subscription income - both essential and valuable uses which are necessary to sustain or increase audience and support. The consequences of foregoing the value of these uses must be considered by the individual stations, if they have the authority to air limited advertisements.

From the perspective of public broadcasting as a whole, the issue is not as simple as allowing individual stations, at their own local option, to use the time slots between programs more efficiently. If any public broadcasting station were to be authorized to carry advertising it could place in jeopardy the perception of public broadcasting by those who influence both the costs and revenues of the enterprise as we know it today. Those dangers were recognized by the TCAF and were fundamental to its recommendations to authorize expanded credits for underwriting but not limited advertising.

Question: Mr. Pfister, you state that advertising is not and cannot be a substitute for a stable base of federal funding. However, there are a number of countries which depend on advertising as a source of revenue for public broadcasting. For example, French public television obtains approximately 25 percent of its revenue from advertising and New Zealand earns roughly 60 percent from ads. Even our closest neighbor, Canada, now allows on-air commercials in its public broadcasting system. I understand that this provides 17 to 20 percent of its yearly operating funds. Has the Corporation taken a look at any of these systems and how they're working? If not, why not?

Answer: We have monitored the debate associated with advertising in other countries and the consensus in public broadcasting in any of these countries tends to be consistent: if public broadcasting accepts advertising and must compete for those advertising dollars, there is a potential - or real - adverse impact on programming decisions. These risks become even more prominent when public broadcasting is attempting to serve the mission established for it by Congress in its legislation: to provide quality cultural, informational and educational programming, from diverse sources, to the American public, including underserved audiences.

While other countries' public broadcasting systems may supplement their federal or state support with advertising, their reliance on tax support and their level of support per viewer is considerably greater than the level of support in the U.S.

We have little data on most foreign systems - which, in any case, are quite different from our locally rooted public broadcasting system - but the evidence in Canada and England is clear. Although CBC gains revenue from advertising, more important than the revenue potential, is the current initiative to discontinue selling air time for commercial advertising on CBC, based on the need to develop a strong alternative broadcasting system capable of producing Canadian programs of quality and character. The debate focuses on the impact of the system's need for advertising revenue: that it results in programming options that are not in the best interests of Canadians. The finding mirrors the conclusions of Lord Annan's Committee on the Future of Public Broadcasting in England:

> "The BBC firmly rejects advertising as a means of financing public service broadcasting, the essence of which is that the public should be the only master. A broadcasting service which carries advertisements must have obligations to the advertisers and their shareholders. Since advertising rates reflect the size of the potential audience, economic pressure is towards the programs which attract the largest audiences at peak hours. Minority audiences are bound to suffer unless protected."
>
> "When commercial television was first contemplated in this country one of the arguments advanced to justify it, was that the BBC would still be there to set high standards. It would be ironic if the resulting achievements of ITV were now to be used as an argument for forcing advertising upon the BBC."

No advertising is accepted by public broadcasting corporations of Australia, Sweden, Norway and Denmark. In Australia, there has been discussion of introducing advertising, although in some quarters of that country concern has been raised that advertising would turn the system from a nonprofit corporation into a loss-making corporation.

PRIVATE SECTOR SUPPORT

Question: Last year, the Subcommittee was advised that the Corporation was attempting through its new development efforts to increase the number of foundations and corporations that underwrite national programming. According to information provided recently by the National Association of Public Television Stations, public television received only 2.7 percent in foundation support in fiscal 1982 and 11.6 percent from business. Can you tell us what's been done since that time to increase this support: I'd like comparable figures for fiscal 1983.

Answer: CPB's funding provides the "Good Housekeeping Seal" and leverage for private and corporate support of programming. It is crucial in our attempts to enhance the partnership between government and the private sector to ensure the viability of the creative and diverse public broadcasting system. These outreach efforts have yielded many multiples of CPB's own production funds for support of programming. The most recent example is Reading Rainbow where CPB funds leveraged equal amounts from the private sector to assure production of twenty programs in this children's series.

In major productions of drama and performance, CPB and producers are successfully exploring co-financing arrangements with commercial cable to raise more money to do more productions. Often, this takes the form of a

short cable window on smaller cable systems, with extensive availability on public television. Each arrangement is unique. In the case of Gregorio Cortez and Testament, which are part of American Playhouse, theatrical releases were negotiated in conjunction with public television releases. Another variation with commercial entities is illustrated by the Vietnam series where historical footage was available from network news operations to mount this public television series, in exchange for a commercial network's use of that footage in their public affairs and special events programming.

Public affairs is another CPB priority where some network cooperation may be developed.

Outside the United States there is a growing interest in public television programming. CPB secured grants from the Andrew Mellon Foundation and The John D. and Catherine T. MacArthur Foundation to support this activity. Co-production between American and foreign broadcasters is also increasing. For example, Brideshead Revisited on public television's Great Performances was co-produced by American public television and the BBC. CPB is actively encouraging and facilitating such arrangements.

Early in 1983, an ad hoc group of corporations interested in the continued success and vitality of public television in the United States, formed a group called Corporations in Support of Public Television (CSPT). CSPT was established to encourage wider underwriting participation from the private sector and to provide a useful conduit for communications between public television and past, present and prospective underwriters.

On June 23, 1983, a long time corporate supporter of public broadcasting hosted a major meeting in Washington, D.C., attended by fifty corporate representatives from across the country, to discuss the merits of public television underwriting. On January 12, 1984, another corporate supporter hosted a similar meeting in Los Angeles for corporations interested in learning more about the importance of corporate support for PBS national programming. At that meeting, a major group of insurance underwriters announced a $600,000 funding commitment to American Playhouse, the important American drama series produced by a consortium of public television stations. This program is also funded by CPB and the stations.

At present, no figures are available for fiscal year 1983 corporate and foundation support for public television.

FY 1987 REQUEST

Question: Mrs. Rockefeller, the Corporation's request for an appropriation of $238 million is substantially higher than your current budget. On a percentage basis, it's the largest increase proposed in the fiscal 1985 budget for any discretionary program within this Subcommittee's jurisdiction. In terms of increased budget authority, it's second only to one of the student financial aid programs. Even the increase proposed by the Administration for the National Institutes of Health, which carries out essential medical research, is only $90 million, less than two percent above its fiscal 1984 appropriation. What makes public broadcasting so critical that it deserves to be raised by 84 percent over your current budget?

Answer: Experience over the past fifteen years clearly demonstrates that public broadcasting is a very cost efficient way to deliver quality educational and informational services to children and other members of the population. For example, while such a worthwhile government program as Headstart serves 415,000 children a year, public broadcasting's weekly children's programs such as Sesame Street, Mr. Rogers, The Electric Company, and 3-2-1 Contact reach ten million homes each week.

In our opinion, the value of public broadcasting's programs increases in

times of economic hardship, when the income available to a family for discretionary and non-discretionary purchases decreases.

There is also the very important contribution which public broadcasting can make to the educational progress of this nation. Beyond the tremendous impact which the programs mentioned above have had, there is so much more that can be done to address specific academic areas such as math and reading, and different but equally important area of teenage and youth issues of coping, drug and alcohol abuse, and employment skills.

We recognize that judgments about the value of competing programs is the essence of the resources allocation process. But the uncontested fact is that public broadcasting is a valuable public service available to most Americans at a relatively low cost.

As President Reagan observed in his State of the Union Message this past January:

> "... every family has a personal stake in promoting excellence in education ... Excellence must begin in our homes and neighborhood schools, where it's the responsibility of every parent and teacher and the right of every child."
>
> "Our children come first ... Schools are reporting progress in math and reading skills, ... we must encourage the teaching of new basics ..."

We respectfully submit that on any cost-benefit analysis, the educational programming promoted and developed by CPB is a very cost-effective mechanism to pursue this Presidential objective of "excellence in education." And, its programs for developing reading, math, and science skills do begin "in our homes" through the medium of television, assisting both parents and teachers to discharge their respective educational responsibility to our children. We therefore concur that "our children come first," and CPB's deeds reflect its words by providing, through its Board of Directors, assignment of the highest priority to children's educational programs.

Question: The budget request assumes that Congress will continue the Corporation's authority beyond 1986 and set its fiscal 1987 authorization ceiling at $238 million. What contingency plan do you have in place in the event this does not happen?

Answer: By virtue of the two year advance funding procedure which the Congress has applied in financing public broadcasting, appropriations have already been enacted for FY 1985 and FY 1986. Therefore, even if Congress were not to enact reauthorization legislation for FY 1987 and beyond during this year, CPB would continue to discharge its responsibilties consistent with current law. During this two year period CPB and the Congress would have to clarify matters concerning federal support for public broadcasting and the role of CPB.

Question: Can you be more specific and tell us how you plan to use the $238 million requested for FY 1987?

Answer: CPB's allocation of the $238 million reflects the major budgetary policies contained in recent CPB budgets. The distribution among these priorities is as follows:

- Approximately 62 percent of the appropriation is allocated to the stations in the form of grants used primarily for programming.

- Approximately 28 percent of the appropriation is applied to support the production and acquisition of public television and radio programs for national distribution.

- Ten percent of the appropriation is applied to a wide range of system support expenses. These include such activities as support for educational programming, diversification of the programs and institutions of public broadcasting from the perspective of underrepresented groups, payment of music royality fees, support for interconnection expenses, retirement of the satellite debt, and long range planning and policy analysis on behalf of all of public broadcasting.

The $238 million is an estimate of what it would take to restore public broadcasting to a "current services" level of funding in FY 1987. That is to say, it provides sufficient funds to sustain the level of services and costs in place in FY 1982. For example:

- Funds provided to the stations as unrestricted grants (Community Service Grants) would restore lost purchasing power caused by inflation and by the increase in the number of stations eligible for assistance. It would allow stations to begin to address the rebuilding of both services and facilities which have been postponed during this period of declining revenue.

- Funds provided to program production will mean that CPB will be able to redirect a greater portion of its resources to its highest priority — children's and educational programming.

- Funds provided to CPB for its own discretion will enable it to continue to respond to important national issues such as improving education, (particularly math, science and reading skills), enhancing the diversity of public broadcasting's programs and institutions, maintaining its position in the forefront of adapting new technologies to public telecommunications uses, and increasing private sector support.

Question: What new programs and initiatives would be pursued if Congress agrees with your budget request?

Answer: There would be greater funding priority to children's and educational programming. While still maintaining important programming priorities such as American drama and public affairs, a greater share of funds at the FY 1987 level will be applied to our first priority, children's and educational programming. We would also strengthen their efforts to draw increasing private sector support.

Question: CPB serves a large and varied constituency: children, aging, cultural minorities, to name just a few. Can you describe for us how you plan to serve this constituency under your plans for expanded funding?

Answer: CPB, and all of public broadcasting, does serve a large and varied constituency — as large and varied as the American people. If CPB were to receive the full $238 million for FY 1987 it has requested, it would be able to respond as follows:

- Children's programming is CPB's highest priority. Additional funds would allow CPB and public broadcasting to mount a major undertaking in this area as a response to this high priority need with a particular emphasis on educational programming in the areas of reading skills and math and science initiatives.

- Programs such as Overeasy, which were cancelled, could be developed to respond to the needs of the growing number of older Americans.

- o Minorities/Women: CPB has made a dedicated effort to diversify the programs and institutions of public broadcasting. These efforts would continue to be expanded where appropriate, especially efforts to bring more minorities and women into full participation in the production and support of public broadcasting programs.

- o Visually/Hearing Impaired: CPB and public broadcasting have been in the forefront of the efforts to develop and disseminate closed-captioned public television programs and specialized audio programs for the print-handicapped, i.e., radio reading services. With expanded funding, CPB can more fully address this important segment of its audience.

Question: Is there consensus within the member stations of public broadcasting regarding CPB's plans for FY 1987? How was this consensus reached?

Answer: Public television and radio stations wholeheartedly support CPB's request for $238 million for FY 1987. For the past year, CPB, NPR, PBS and NAPTS have been polling the public broadcasting system, and have been consulting with one another, on the level of funding that will be necessary to support adequate public telecommunications services in 1987 and beyond. CPB undertook to prepare an economic model for predicting the system's needs in a rational way. Similar efforts to establish future financial needs in a concrete fashion have been undertaken by other public broadcasting entities. Our various findings have been shared and discussed extensively, with the result that the system is unanimous in its agreement that high quality and diverse public broadcasting services, which Congress and the American people expect, cannot be expected to be provided in FY 1987 with a Federal contribution of less than $238 million.

Question: What cost-of-living increases did you assume in putting together your fiscal year 1987 advance?

Answer: The estimate of need for public broadcasting in 1987 - $238 million - was based upon the cost of the 1982 level of service, with costs projected to increase according to their historical relationship to the CPI (as projected by the Administration in its Budget Message for FY 1984). Estimated revenues for non-federal sources were based on economic projections from the Administration and CBO.

The attached table documents these assumptions:

NATIONAL ECONOMIC DATA AND FORECASTS
1976-1988

Year	GNP	Annual % Change Consumer Price Index	Personal Income	Corp. Profit Before Tax (Without Inv. Valuation)
1976	1,718.0	5.8	1,391.2	166.3
1977	1,918.0	6.5	1,538.0	192.6
1978	2,156.1	7.7	1,721.8	223.3
1979	2,413.9	11.3	1,943.8	255.4
1980	2,626.1	13.5	2,160.2	245.5
1981	2,937.7	10.3	2,415.8	230.1
1982	3,057.6	6.0	2,570.6	174.6
1983	3,262.0	4.9	2,727.0	177.0
1984	3,566.0	4.6	2,935.0	206.0
1985	3,890.0	4.9	3,142.0	246.0
1986	4,232.0	4.6	3,377.0	296.0
1987	4,599.0	4.5	3,661.0	316.0
1988	4,993.0	4.4	3,956.0	329.0

Sources: 1976-82 -- Consumer Price Index: Bureau of Labor Statistics
GNP, Personal Income and Corporate Profits: Bureau of Economic Analysis

1983-88 -- President's Budget Message, Budget for Fiscal Year 1984

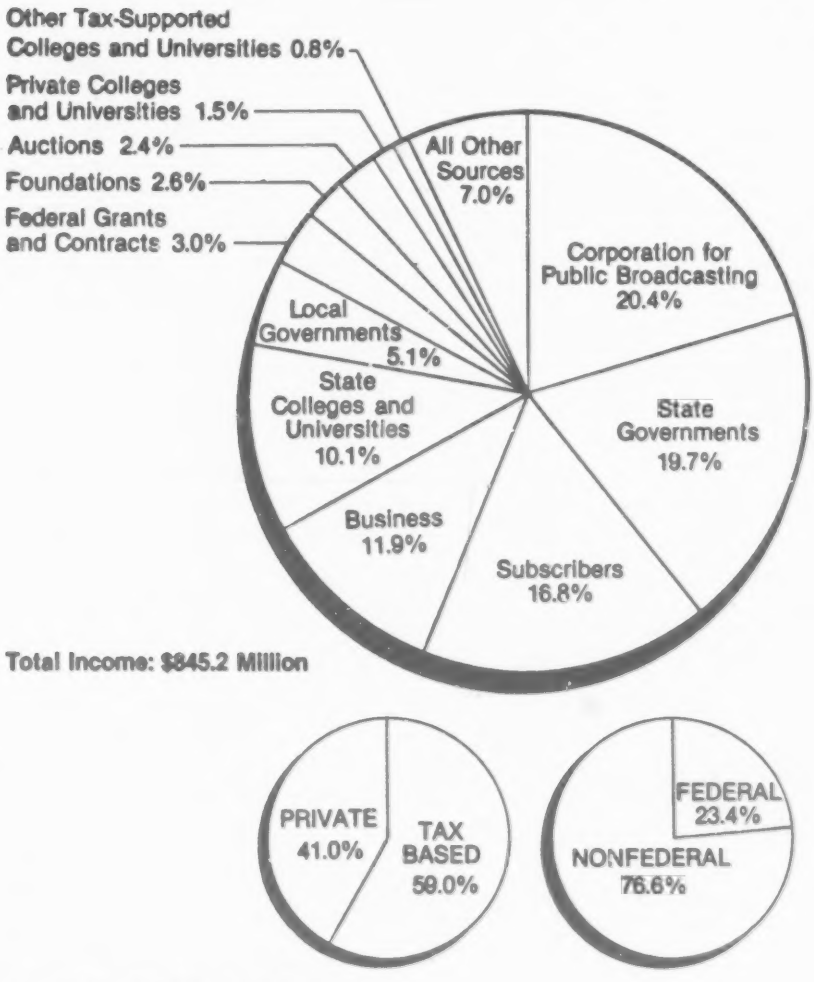
ALTERNATIVE SOURCES OF FUNDING

Question: Have you explored all existing possibilities for alternative sources of funding that would serve to reduce your federal request? Please tell us what they are.

Answer: Public broadcasting has a legacy of ingenuity in developing financial support from diverse sources which do not compromise the public noncommercial nature of the service and which insulate programming from influence by the funding sources. Already public broadcasting obtains over $3 from non-federal sources for every $1 in federal support (see attached table for most recent data, FY 1982). In that year, as total federal support increased by $3.9 million, net increases from all non-federal sources totaled $72.4 million. Consequently, there is evidence of the unrelenting effort of public broadcasting to gain increasing support from all possible sources.

Two bipartisan commissions have also explored this issue - The Task Force of Long Range Financing for Public Broadcasting and the Temporary Commission on Alternative Financing for Public Telecommunications. These groups, between them, explored fourteen different tax based alternatives and nineteen non-federal financing options. Among the enterprising options, such as utilizing excess capacity spectrum or facilities to generate revenue, public broadcasting is already pursuing all the possibilities aggressively. Both of these commissions, as well as the National Association of Broadcasters (NAB) Task Force, concluded none of these options - or combination of them - including limited advertising would raise sufficient revenue to substitute for federal funding, with advance appropriations and multi-year authorizations. CPB concurs in these findings.

SOURCES OF PUBLIC BROADCASTING INCOME
FISCAL YEAR 1982



Source: Corporation for Public Broadcasting
Policy Development and Planning
December 1983

CPB PERSONNEL

Question: Is an increase in the number of personnel anticipated?

Answer: At this point, we anticipate no increase in the number of personnel in FY 1987.

CPB CONTINGENCY FUND

Question: I note under "obligations by program" on page 5 of your jutifications that the contingency fund would be maintained in fiscal 1985 at its current level of $300,000. How have these funds been used in the past? I'd like to receive for the record a detailed explanation of how the contingency fund was used in fiscal years 1982 and 1983.

Answer: In FY 1982, funds were used from the Contingency to finance an industry task force on Long-Range Financing of Public Broadcasting, and to finance training and related projects in the human resources area.

In FY 1983, funds from the Contingency were used to continue CPB's support for closed-captioning of television programs, minority and children's programming, and human resources development activities.

CPB USE OF CONSULTANTS

Question: How many consultants were employed by the Corporation in fiscal 1983?

Answer: In FY 1983, 31 consultants were employed by the Corporation, for a number of tasks. A significant number of those were public broadcasting professionals whom CPB uses to assist other stations in management, programming or technical areas.

Question: How does this compare with your estimate for the current year?

Answer: We anticipate fewer consultants in FY 1984.

Question: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for the consulting services. How do these amounts compare to FY 1984 amounts for consulting services?

Answer: CPB anticipates spending aproximately $300,000 annually for consultants from FY 1984 through FY 1987. This compares with $400,000 in FY 1983 and $700,000 in FY 1982. These funds would be used for audit, accounting, legal, technological, educational and human resources purposes. CPB also utilizes existing public broadcasting professionals to provide expert services to other stations who need or seek assistance.

CPB ADMINISTRATIVE BUDGET

Question: Mr. Pfister, last year the Subcommittee was advised that the Corporation was sharply reducing its own administrative budget through a one-third reduction in personnel and a curtailment of other administrative expenses such as travel and consultants. While that's certainly commendable, the budget justifications show a $200,000 increase in these costs between the current fiscal year and fiscal 1985. Can you tell us what this represents?

Answer: This increase represents the net cost of increased administrative expenses principally for rent (CPB's lease expires in mid-FY 1985) and salary increases, offset by reductions in staffing, travel and other categories of expense.

Question: On that same issue, please let us have a detailed breakdown by object classification of the Corporation's administrative costs beginning with 1982 when the overall total was $7.5 million. Please include your projections for fiscal 1986 and 1987 and include all travel costs.

Answer: (See chart below)

CPB Administrative Costs
FY 1982 - FY 1987
($ Millions)

	1982	1983	1984	1985	1986	1987
Personnel & Related Costs	$4.7	$4.0	$3.6	$3.7	$3.8	$4.0
Consultants & Prof. Services	0.4	0.2	0.2	0.2	0.2	0.2
Travel Related Costs	0.7	0.4	0.3	0.3	0.3	0.3
Corporate Logistical Costs	1.7	1.4	1.4	1.6	1.7	1.8
Other	-	0.1	0.2	0.1	0.1	0.1
TOTAL	$7.5	$6.1	$5.7	$5.9	$6.1	$6.4

CPB PROGRAM FUND

Question: Mr. Pfister, the award-winning film documentarian, Frederick Wiseman, leveled some very serious charges against the Corporation at its Board meeting last month, saying that "the real life of public television is the preservation of a series of interlocking bureaucracies whose operation makes Kafka's "The Castle" read like a children's book." He went on to state that "programming is secondary and is grudgingly tolerated by the bureaucracies only because something has to fill the screen." I understand Mr. Wiseman's criticisms stemmed from an unpleasant experience he had with the Corporation's program fund in connection with his film "The Store." It appears that his grant application was turned down on two separate occasions by the fund, only to have the decision eventually reversed. What concerns me, very frankly, how many other Frederick Wiseman's have received similar treatment. Have there been any complaints raised in the past about the program fund's selection process?

Answer: During the summer of 1982, Mr. Wiseman spoke directly to the Deputy Director of the Program Fund about receiving funds to do location filming for a proposal then in progress, later named "The Store." Mr. Wiseman was granted $15,000 and a contract for that amount was requested by the Program Fund on September 9, 1982.

Subsequent to that, Mr. Wiseman submitted a proposal for consideration by an advisory panel of experts in the first round of competition of unsolicited proposals. This proposal was received and logged for handling through the panel process by the deadline of December 7, 1982. The advisory panel of experts sat for two days, February 24 and 25, 1983, reviewing all proposals presented to them. Mr. Wiseman's proposal was among those reviewed by this panel but not among those the panel ultimately recommended for funding. Mr. Wiseman was understandably upset and disappointed as are all producers who do not receive funding for their projects.

Following these events, Mr. Wiseman repeatedly spoke to the associate directors and to the new Program Fund Director, Ron Hull. Mr. Hull reviewed the entire history of this particular proposal and was taken with the potential of what he felt was a compelling program idea. Further, Mr. Hull felt Mr. Wiseman's experience and talent would ensure a quality

production. Mr. Hull decided, as Director of the Fund, to grant Mr. Wiseman $75,000 to complete the project. Mr. Wiseman received a total of $90,000 for the project, "The Store", which aired over PBS stations on December 14, 1983.

Why Mr. Wiseman is complaining about his treatment at the Program Fund is puzzling.

Question: The Washington Post reported last December that Mr. Wiseman was considering making a film about what he called and I quote "the real life of public television — namely its bureaucracy." Has he applied for any funding yet?

Answer: As of this date Mr. Wiseman has not requested nor presented to the professional staff of the Program Fund a proposal as described by you for a film "about the real life of public television — namely its bureaucracy."

Mr. Wiseman submitted a proposal for the current round of the Open Solicitation (deadline December 16, 1983) entitled "Perkins School for the Blind." It was one of the 465 proposals received and among the 60 sent to the advisory panel of experts for its recommendations. This panel did not recommend it for funding.

GAO REPORT ON NPR

Question: Along the same line, a GAO review of your operations revealed that NPR had poor control over travel and conference expenditures. For example, GAO reported that credit cards were issued to more than one-quarter of your employees, that charges totalling $50,000 were permitted for in-town entertainment of NPR staff, and that large amounts of travel advances were made to employees and not promptly accounted for or reimbursed. Can you tell us whether you have recovered all of these outstanding expenses? If not, what steps are you taking to obtain these funds?

Answer: NPR has advised CPB that the outstanding advances have been recovered.

Question: Can you tell us what steps you are taking to address the problems highlighted in the GAO report?

Answer: NPR management has implemented formal and rigid control procedures. All American Express cards were cancelled. Substantially fewer cards were reissued with the following operational changes: (a) the need for an American Express card has to be justified and approved by the Director of Finance and Administration before reissuance; (b) all cards are issued in the name of the card holder, who is solely responsible for paying the bills which are received directly by the employee; (c) expenses must be fully documented prior to being approved for reimbursement; and (d) all travel must be preapproved by management.

Question: I note that the GAO report on National Public Radio (NPR) has recommended that CPB and NPR complete implementation of the "improved controls." What remains to be done and when will final agreement on these controls be completed?

Answer: At the time the GAO report was prepared, NPR had completed implementation of the major components of a new automated financial accounting system. This includes the general ledger, the accounts payable, and the accounts receivable systems — using a restructured chart of accounts. At that point, the major implementation activity remaining concerned the technical development of a software module for the tracking of cost accounting information. This subsystem has now been installed and is being tested at NPR. It should be pointed out that implementation of these improved controls has been monitored by a review group consisting of representatives of the General Accounting Office, CPB, NPR and the independent accounting firm of Coopers & Lybrand.

NPR PRIVATE SECTOR SUPPORT

Question: Last year the Corporation reported that in fiscal 1982, eleven percent of National Public Radio's total income came from private support. Has this increased or decreased over the past fiscal year?

Answer: In Fiscal Year 1983, NPR received approximately 49 percent of its total income from non-CPB sources.

MEMBERSHIP AND NON-MEMBERSHIP INCOME

Question: In percentages, how much support do you get from the Federal government and from the private sector broken down between membership and non-membership income?

Answer: Of public broadcasting's total revenue, approximately 25 percent comes from the federal government and 75 percent comes from non-federal sources. About 16 percent of the total income is received from individual subscribers.

SUPPLEMENTAL REQUESTS

Question: Page 3 of your supplemental budget request indicates that you plan to increase the Corporation's system support expenses by $600,000 in fiscal 1984; $900,000 in fiscal 1985; and $1.3 million in fiscal 1986. How do you plan to allocate these funds? Are any salary increases anticipated? If you don't have this information available now, please be sure to provide a detailed breakdown for the record.

Answer: The increases will be spent in three areas: children's and educational programming; human resources development, concentrating on diversifying programming and employment; and, policy, planning and technical research. None of the funds in the supplemental are to be used for salary increases.

Question: Can these higher levels requested in the supplemental be supported by matching non-federal revenue required by CPB's authorizing legislation?

Answer: Yes. Public broadcasting's income can more than match the additional federal funds requested.

Question: How would these additional funds be applied, and to what extent would they make a difference in the quality of public broadcasting?

Answer: In each year, 62 percent of the funds will be distributed to the stations as operating grants to help restore cuts in local and national programming and hours of broadcast, and to help maintain funding stability in light of increasing numbers of qualified stations. 28 percent will be used for TV and radio national program production — to support children's and educational programming, and to restore the radio national program service. The remaining ten percent will be applied to defray fixed costs of music royality fees and interconnection, and for funding of a variety of activities, including additional support for educational programming, human resources development, and policy, planning and research into technology and public broadcasting.

These funds would have a measurable impact on the quality of public broadcasting by placing a halt to the erosion of public broadcasting services which began in FY 1983 with the first reductions and are continuing in FY 1984, and will continue at the levels of funding now in place.

Question: If Congress agreed to these supplemental requests, what new programs or initiatives would be forth coming?

Answer: No new programs or initiatives are contemplated. The supplemental would merely allow for the restoration of essential programs and services which were terminated or suspended due to lack of resources.

Question: What would the impact on public broadcasting be if these requests were denied? Please be specific.

Answer: If Congress failed to approve these supplementals, the erosion in programming and services which began in FY 1983 would become more pronounced. For example, the funds for the American Drama Series have already decreased, causing a drop in the number of programs from 26 to 20. Overeasy has been cancelled. Further examples of this type can be expected without the increase allowed in the supplemental. The excellence of the service would be quickly eroded as our capacity to develop and produce traditional and new programs would diminish. In almost each and every program genre, there would be reduction or elimination.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF ROSEMARY M. COLLYER, CHAIRMAN

ACCOMPANIED BY:

COMMISSIONER RICHARD V. BACKLEY
COMMISSIONER L. CLAIR NELSON

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Our next witness this morning is Rosemary M. Collyer, Chairman of the Federal Mine Safety and Health Review Commission. Ms. Collyer will present the Commission's budget request for fiscal year 1985.

Rosemary, please introduce your colleagues and proceed with your opening statement.

Ms. COLLYER. Thank you very much, Mr. Chairman.

With me today at the witness table are Commissioner Richard V. Backley and Commissioner L. Clair Nelson. Along with us, because of their interest and dedication to this Commission, in the room are Commissioner Frank F. Jestrab and Commissioner Alfred E. Lawson.

We appreciate this opportunity from the committee to offer testimony in support of our fiscal 1985 budget request.

PREPARED STATEMENT

Senator WEICKER. We will insert your statement in the record at this point.

[The statement follows:]

STATEMENT OF ROSEMARY M. COLLYER

Mr. Chairman, it is a pleasure to appear before you and the committee to present justification for our fiscal year 1985 budget request in the amount of $3,837,000.

This budget request represents a decrease of $21,000 from our fiscal year 1984 budget of $3,858,000. This decrease is possible because of management programs instituted during 1983–84, most particularly a reduction in rented space in accord with the President's initiative on space management reform. Savings in the Commission's rental costs and other budget areas will allow the agency to absorb pay increases voted by the Congress for fiscal year 1984 without any decrease in personnel or services.

We believe that we will be able to fulfill our role in resolving enforcement disputes between the Secretary of Labor and the operators of the Nation's mines, and provide a forum for resolution of discrimination claims by miners, with the budget we are requesting.

The Federal Mine Safety and Health Review Commission is an independent adjudicative agency established by Congress to provide administrative trial and appellate review of the Department of Labor's mine safety enforcement program. The Commission exists to objectively and neutrally adjudicate legal disputes arising under the Mine Act

among or between mine operators, the Department of Labor and miners. For the sake of clarity, let me note that the Commission is fully independent and is not in any way part of the Department of Labor or Labor's Mine Safety and Health Administration (MSHA).

The Commission itself is comprised of five Presidentially appointed, Senate confirmed commissioners. The Commission presently employs 12 administrative law judges who conduct hearings and issue decisions in contested cases initiated by the Solicitor of Labor, mine operators, miners or miners' representatives. The judges are also required by the Mine Act to evaluate and approve settlement agreements. We have two offices of administrative law judges: One in Falls Church, Va., and one in Denver, Colo. Commission judges travel from these offices to hearing sites at or near the mines involved in order to afford the greatest opportunity for participation by miners and their representatives.

The Commission provides administrative appellate review. Its functions include reviewing all administrative law judge decisions, ruling on petitions for discretionary review, directing review *sua sponte* for cases that may be contrary to law or policy or that present novel questions of policy, and issuing decisions that affirm, modify or vacate decisions directed for review. If not reviewed, an administrative law judge's decision becomes a final, nonprecedential order of the Commission. Appeals from Commission decisions are to the Federal circuit court of appeals.

We began fiscal 1983 with 1,199 pending cases and received 1,243 new cases during the year. Of this total caseload, 560 were disposed of prior to hearing, by settlements approved by the administrative law judges, 686 were disposed of on motion or by stipulated record, and 232 were fully tried prior to decision. At the close of the year, the pending caseload before the judges was reduced to 964.

Petitions requesting review of administrative law judges' decisions were filed in 52 cases during the 1983 fiscal year. The commissioners voted to grant review in 31 of these cases. In addition, the Commission granted requests for reconsideration in three cases and received four remands from the courts of appeals. Oral argument was heard in nine cases on review. The Commission issued decisions or orders disposing of 59 cases during the year. Fifty-two cases were pending review at the year's close.

Our statistics indicate that our caseload before the administrative law judges is directly tied, as one would expect, to the number of producing mines available for inspection by the Department of Labor's Mine Safety and Health Administration. The decline in the minerals market experienced over the last several years has only begun an improvement. Many noncoal mines remain closed down or on limited production schedules. These facts are reflected in the continuing decline in the Commission's noncoal caseload: Fiscal year 1983 noncoal cases dropped 54 percent from fiscal year 1982 levels and 82 percent from fiscal year 1981 levels. It should be noted that MSHA's inspection activity on the noncoal side remains statistically high but, perforce, is concentrated on sand and gravel mines and stone quarry operations. These mines do not experience the complicated health and safety problems of other metal/nonmetal operations and, therefore, do not generate as much litigation before the Commission.

Final decisions from the Commission at the review level declined in fiscal year 1983 because of a variety of tangible and intangible factors. Prior to October 1983, the Commission operated with only four commissioners. During fiscal year 1982, those four commissioners split to a tie vote on a number of factually and legally complex cases. When the fifth commissioner took his seat in the fall of 1983, he was faced with numerous difficult issues on which his would be the tie breaking vote. During the winter of 1983 the Commission reargued those cases in a series of lengthy, open meetings. While those cases are now resolved, they did take an extraordinary amount of time and effort and impacted on the Commission's ability to decide other matters pending on review.

We anticipate a small increase in the number of new cases filed in fiscal year 1984, as noncoal mines begin to increase production levels. We expect that 1,500 new cases will be filed during fiscal year 1984 and project that 1,390 will be disposed of by the administrative law judges. This will leave a balance of 1,074 cases at the end of the year. We project a small reduction in the disposition rate because of the lengthy illness of a Commission judge.

Based on current estimates of mine inspections by MSHA to be performed in fiscal year 1985, we expect to receive 1,563 new cases in that year.

We anticipate a small increase in cases called for full review before the Commission in fiscal year 1984. While the number of actual petitions for discretionary review expected, that is, 51, is essentially the same as fiscal year 1983, we project that 35 of those petitions will be granted. An additional nine cases are anticipated through reconsideration, *sua sponte* review and remands. An increase to 55 petitions for discretionary review and full review directed for 38 cases is projected for fiscal year 1985.

The Commission has continued its efforts to provide efficient, timely, and neutral adjudication of disputes under the Mine Act. While the overall caseload is less than it was in the early days of the new enforcement scheme, the number of significant, gutsy issues has increased. Thus, for instance, in the last several months the Commission has issued a number of decisions on the statutory rights of miners. These include the rights to training on a calendar year schedule (Emery Mining Corp., 5 FMSHRC 1400 (1983) (pet rev. pending 10th Cir. No. 83–2046)) and for reimbursement for training costs (Emery Mining Corp., 5 FMSHRC 1391 (1983) (pet rev. pending 10th Cir. No. 83–2017)), as well as the scope of miners' rights to initiate litigation before the Commission (*United Mine Workers of America (UMWA)* v. *Mine Safety and Health Administration (MSHA)*, 5 FMSHRC 1519 (1983); *UMWA* v. *MSHA*, 5 FMSHRC 807 (1983); aff'd sub. nom. *UMWA* v. *Donovan*, D.C. Cir. No. 93–1519 (December 2, 1983)).

Fiscal 1983 decisions continued to outline the parameters of a miner's right to refuse to work and an operator's obligations and rights when faced with a safety-related work refusal (*MSHA ex rel. Bush* v. *Union Carbide Corp.*, 5 FMSHRC 993 (1983); *MSHA ex rel. Pratt* v. *River Hurricane Coal Co.*, 5 FMSHRC 1529 (1983)).

Additional recent cases addressed vagueness of standards (*Great Western Electric Co.*, 5 FMSHRC 840 (1983)); interpreted the meaning of "feasible engineering controls" under the noise standard (*Todilto Exploration and Development Co.*, 5 FMSHRC 1894 (1984); *Callanan Industries Inc.*, 5 FMSHRC 1900 (1983)); and clarified the Commission's role in penalty assessments (*Sellersburg Stone Co.*, 5 FMSHRC 287 (1983) (pet. rev. pending, 7th Cir. No. 83–1630)).

Our budget request for fiscal year 1985 will not add costs or personnel to the Federal budget. With the complete assistance of all Commission employees, the Commission is able to reduce its expenditures and request a lower budget than in fiscal year 1984. With the requested appropriation, we shall continue to provide prompt, fair disposition of cases.

Thank you for the opportunity to present this statement. I will be pleased to respond to questions from the committee.

SUMMARY OF OPENING STATEMENT

If I may, Mr. Chairman, I will very briefly summarize my opening statement and then stand ready to answer questions from the committee.

We are here today to present testimony for our budget request of $3,837,000 for fiscal year 1985. This budget request represents a decrease of $21,000 from the amount appropriated for the Commission in fiscal year 1984. This decrease is possible because of various management practices we have instituted in the last year or two that allow us to provide the same level of services for less money.

The most important of these changes to which I refer is a decrease in the space that the Commission rents for its offices. There are other practices that each save us small amounts of money, but the primary savings come from a space reduction.

Therefore, we are able to come to you asking for less money than before, but assuring you that our request does not represent any de-

crease in personnel or services. Nor will this budget affect the Commission's ability to provide neutral, fair, and prompt adjudication of disputes under the Mine Safety and Health Act of 1977. We will continue to do that.

Beyond that, Mr. Chairman, we stand ready for questions from the committee.

SUNSHINE ACT

Senator WEICKER. Thank you very much.

On October 14, 1983, the Washington Post ran an article discussing Federal agencies' compliance with the Sunshine Act. The article suggested that the Federal Mine Safety and Health Review Commission has not been attentive to its obligations under that act.

Could you explain the Commission's efforts to fulfill the requirements of the Sunshine Act?

Ms. COLLYER. Yes, sir. Thank you for the opportunity to comment on that article. The Washington Post's suggestion was that the Commission was careless in its attention to its obligations to notify interested parties of Commission meetings. Nothing could be further from the truth than that inference. In fact, we do send agenda notices to the Federal Register, as we are required to do, 7 days before an agendaed meeting. Obviously, we cannot control when the Federal Register actually prints the notice. There are times when, because of the urgency of any individual item, we adjust the agenda later than 7 days from the date of the meeting. When we have a late agenda change we send that notice to the Federal Register also.

But more than depending upon the Federal Register, Mr. Chairman, we notify counsel for all the parties involved in any case pending before the Commission of the upcoming meeting, and we send them a copy of the agenda notice. In this way we assure that the interested parties know, whether they get the Federal Register in the out-of-way places where mines operate or not, that their case is up for consideration on a specific date. We also contact counsel by phone when they may not receive a mailing on a timely basis.

Beyond that, of course, we post the agenda notice in the Commission office.

What is really most irritating about that article, Mr. Chairman, is that it suggested we do not care about the Sunshine Act. This Commission, more than any other agency I know about that I have ever heard about, holds its meetings in the open. You or anyone else in the public could come and actually hear the Commissioners argue the cases. Sometimes those arguments get vociferous and surprise the audience because of the exchanges among us. But you could come and hear us decide almost all the cases that pend before us. We close meetings in a very small number of instances where the subject matter requires it.

And so we were stunned by the inference in that article. We thank you for the opportunity to set the record straight.

CASELOAD PROJECTIONS

Senator WEICKER. You have estimated that you will receive 1,563 new cases in fiscal year 1985.

On what basis do you make your caseload projection for administrative law judges and Commission review?

Ms. COLLYER. For purposes of estimating the caseload before our administrative law judges, Mr. Chairman, we utilize a formula which is based on the number of inspections projected by the Mine Safety and Health Administration at the Department of Labor. That formula is successful and continues to be useful for projecting our coal caseload; in other words, cases arising out of coal mines. Since the metal/nonmetal area of the industry remains in recession we use a portion of the formula result for projecting those cases. That is how we arrived at this 1,563 new cases.

For cases before the Commission, we used a percentage factor applied to the cases decided by the judges. Our appeal rate has remained relatively constant over the life of the Commission

Senator WEICKER. Does this estimate take into account MSHA's requirements under current law or have you based your estimate on MSHA's proposals to reduce inspections?

Ms. COLLYER. We have based our present estimate, Mr. Chairman, on MSHA's present estimate of the number of inspections it will perform in fiscal 1985.

Senator WEICKER. Does that encompass a change in the law or is that under current law?

Ms. COLLYER. That is under current law. Last year MSHA proposed a change in the law and predicated their fiscal 1984 budget request on a change in the law, but I believe their 1985 budget assumes that the law will remain what it is.

I'm afraid, though, sir, that you will have to ask them for more certainty on that.

PENDING CASELOAD

Senator WEICKER. Are you concerned that the number of cases pending at the beginning of the year will continue to increase, specifically to 1,119 from 1,074, under the budget you are presenting?

Ms. COLLYER. We anticipate a small increase in the pending caseload from the end of fiscal 1983 to the end of fiscal 1984 because of the lengthy illness of an administrative law judge of the Commission. Since we only have 12 administrative law judges, the absence of 1 has a significant impact on our ability to process cases. However, we expect that in fiscal 1985 the judge will return, or be replaced if his illness continues, so that we will again have a full complement and be able to handle the caseload on a prompt basis.

DECREASED BUDGET

Senator WEICKER. Senator Burdick.

Senator BURDICK. The story is that you can do the same job for less money, is that it?

Ms. COLLYER. That's it.

Senator BURDICK. That's pretty hard to fight.

Ms. COLLYER. I promise you, sir, the numbers are all there.

Senator BURDICK. No questions.

Ms. COLLYER. Thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are other questions to be submitted for response to the record.

Thank you very much.

Ms. COLLYER. Thank you, Senator.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

GOVERNMENT-WIDE INITIATIVES TO CUT COSTS

QUESTION: Your budget justification speaks about management programs that have allowed the Commission to reduce its FY 85 request below that appropriated in FY 84. Please describe what programs will be instituted and how they will work to save dollars without reducing program effectiveness.

ANSWER: In response to government-wide initiatives to cut costs, the Commission has instituted a variety of management programs. These include reducing leased space for our Office of Administrative Law Judges in Falls Church, Virginia, and reviewing space needs at the Commission's Washington and Denver offices. With the aid of the Space Utilization Branch of GSA, we have redesigned our Virginia office and will decrease our rented space by 4,434 square feet. That reduction in space will save us approximately $45,000 on an annual basis beginning in fiscal year 1985, presuming GSA is able to complete all necessary alterations in fiscal year 1984. We have also performed a complete review of the potential risks for under- and over-payment in the Commission's accounting system. This has involved use of the Burns System, a methodology for evaluating the risks, potential controls and costs and benefits of various controls for handling government monies. The Commission's system has been rated as exceptionally good because of the exceedingly low potential for erroneous payments (less than .0001%) under present control systems. We have also implemented a complete inventory of Commission furniture and equipment with a computerized system. Additionally, we are investigating use of personal computers to handle the Commission's accounting needs in order to save the leasing costs and rented computer time for our present terminal and mainline system. Throughout the Agency, we have increased tracking systems for improving voucher payments, job performance and attendance. These and other efforts have been made to comply with the Federal Managers' Financial Integrity Act.

COMMUNICATIONS SAVINGS

QUESTION: How will you accomplish a 17% savings in Communications?

ANSWER: The 17% savings in communications for Fiscal Year 85, as compared to FY 84, are primarily attributable to a reduction in costs for the Federal Telecommunications Systems (FTS) network. In fiscal 1984, the Commission will be charged $64,900 for FTS and in fiscal year 1985, the charge will be $33,400. GSA gave no explanation for the sudden reduction in FTS costs.

CASELOAD PROJECTIONS

QUESTION: Last year you over-estimated your administrative law judge workload. You estimated that you would receive 1,700 new cases in fiscal year 1983 and actually received only 1,243 cases. In fact your 1984 estimate has also been moved downward since last year, from 1,700 new cases to 1,500 new cases. What assurances can you give us that you are not erring on the high side regarding next year's workload?

ANSWER: We estimate our caseloads with the use of a formula that is predicated on MSHA's anticipated number of inspections per year. Because of the weak minerals markets in FY 83, many mines were closed or on standby. As a result, MSHA did not perform as many inspections as they had predicted. Additionally, many inspections of non-coal operations were focused on sand and gravel mines and stone quarries; these operations do not experience the complex health and safety problems of underground mines and therefore do not generate as much litigation before the Commission. This combination of factors resulted in fewer new cases in FY 83 than we had projected and has led us to reassess our projections for FY 84. The formula to which I referred earlier continues to accurately forecast our coal caseload; the discrepancy is on the non-coal side which is presently most adversely affected by the economy. We have adjusted our FY 85 estimates to accommodate these facts.

DISPOSITION RATE DECLINE

QUESTION: On page 9 of this year's justification you state: "We anticipate a small decline in the disposition rate because of the continuing illness of a Commission judge". Have you considered retiring this judge on a disability pension?

ANSWER: By law, an agency cannot force an administrative law judge into disability retirement; it would be illegal adverse action. Also, we continue to hope that the judge in question will regain his health and be able to return to work. Ultimately, if his health does not improve and if he continues to be reluctant to apply for disability retirement, we will have no option but to seek to remove him before the Merit Systems Protection Board.

LAPSED FUNDING

QUESTION: In fiscal year 1982, you returned $231,000 to the Treasury. Last year you were unable to spend $217,000. To put it another way, you were unable to spend about 6 percent of the money we gave you in fiscal years 1982 and 1983. That's a fairly substantial lapse rate. Can you explain it?

ANSWER: Fiscal year 1982 was an emergency year for the Commission because of the action of the Senate Appropriations Committee. In that year, the Commission's initial appropriations request, and the level at which it operated under two continuing resolutions, was $4,486,000. Without explanation, the Senate committee reduced that annual appropriation to $3,319,000 as of December 17, 1981. The lifting of the pay cap at the same time effectively reduced this figure even further. Since the Third Continuing Resolution was retroactive in effect, the Commission terminated one-third of its employees, curtailed travel except for emergency hearings and effected other savings throughout the Agency. Extreme measures were required just to stay open through March 31, 1982, when the Third Continuing Resolution expired and was replaced by another resolution. Given the mood of the Senate, the Commission did not depend on the Pay Supplemental it requested during the spring of 1982, but continued to operate at the reduced budget level. This meant that the Commission operated with many vacancies we could not afford to fill; positions left vacant included Executive Director, Counsel to the Chairman, General Counsel for six months, Secretary to a Commissioner, Librarian, etc. For non-budget reasons, we also had a vacancy on the Commission itself and no staff members for that Commissioner. Because of our extreme savings, the budget lapse to which you refer was almost entirely the Pay Supplemental finally approved by the Congress in the last two weeks of the fiscal year.

With the beginning of FY 83, the Commission was funded sufficiently for us to fill the vacant positions. Although all but one position of our personnel complement is now filled, we continued to have vacancies through 1983. Our lapse of funds at the end of FY 83 reflects unpaid personnel compensation and benefits due to these vacancies. Additionally, the economic state of the mining industry resulted in increased occasions for our administrative law judges to decide cases on stipulations or by motion to avoid trial costs for the parties. Coupled with caseload reductions because of inspection activities by the Department of Labor, this development significantly reduced our anticipated travel costs.

TRAVEL

QUESTION: In last year's budget submission you projected travel costs of $135,000 in fiscal year 1983 and $142,000 in fiscal year 1984. This year's budget indicates you actually spent $79,000 on travel in 1983, plan to spend $91,000 in 1984 and are requesting $105,000 in 1985. Why were last year's estimates so far off the mark?

ANSWER: The answer to the question involves the impact of various related factors. Our travel cost projections of a year ago were premised upon a caseload that did not develop. As I indicated earlier, our caseload projections have

been affected by the number of inspections actually performed by MSHA at the Department of Labor; the nature of the non-coal mines predominately inspected; and the financial health of the industry. Our administrative law judges are now seeing more requests that cases be decided by motion or stipulation, to avoid the costs of trial for the financially pressed industry. For this kind of reason, our actual costs in fiscal 1983 were not as great as anticipated. This has led us to re-evaluate and amend our estimates for fiscal 1984 and 1985 to more accurately reflect our present expectations.

INCREASED TRAVEL COSTS

QUESTION: If we provide a $14,000 increase for your travel in the coming fiscal year, your anticipated costs of travel will have gone up by one-third between 1983 and 1985. On the other hand, your personnel levels are slated to remain constant over that period. Why is such a large travel increase necessary?

ANSWER: Travel is a critical element in the adjudicative function of this Commission. In order to provide basic access to the Commission for mine operators and miners, Commission judges must travel to hearing sites at or near the location of the mine(s) involved. We must budget for the possibility that a large percentage of the caseload will actually be tried; to plan otherwise would be to preclude the right to litigate before the Commission, which Congress has established in the Mine Act. As our budget history demonstrates, however, the Commission does not spend unnecessary funds. We expect that our caseload will increase modestly between 1983 and 1985; that more matters will go to trial as the financial health of the industry permits; that more Commission judges will be able to travel and not be limited by illness; and that travel costs to less populated areas will increase, even as deregulation decreases other airfares. Additionally, the Commission itself may have two new members during FY 85 with new staffs. We anticipate some increased travel for these individuals, depending on their experience, to allow them to tour and observe actual mining operations. If these factors do not increase our travel costs as currently projected, the funds will not be wasted.

PAY SUPPLEMENTAL

QUESTION: Last year at this time you requested $115,000 in supplemental funding for 1983 pay costs. This year you seem to be able to get along without supplemental funding. Can you tell us how you are absorbing your pay costs?

ANSWER: It should be noted that the Pay Supplemental request for the Commission for FY 83 was withdrawn and we absorbed the costs of pay raises voted by the Congress last year

also. We were able to absorb the FY 83 raises because not all positions for which we had budgeted were actually filled for the entire year. We are absorbing pay raises voted for FY 84 by adjusting appropriated monies into different object classes than predicted last year. Our FY 84 personnel costs will increase by approximately $71,000 because of pay and benefit raises. We anticipate savings in travel, communications, other services and supplies to cover this pay increase.

CASELOAD PROJECTIONS

QUESTION: You have estimated that you will receive 1,563 new cases in FY 85. On what basis do you make your caseload projection for administrative law judges and Commission review.

ANSWER: Our caseload projections are developed with the use of a formula devised by OMB some years ago. That formula is based upon the number of inspections MSHA at the Department of Labor predicts it will make in a fiscal year. We then compute the number of cases the Commission can anticipate. The formula continues to fairly accurately predict our coal caseload. The weak minerals market which has led to mine closures and production cutbacks in the hardrock industry vitiates the formula for noncoal caseloads. While MSHA's inspection activity in the noncoal area remains high, much of it is focused, perforce, on sand and gravel operations and stone quarries which continue to operate. These kinds of mines do not experience the difficult safety and health problems that provoke litigation from more traditional hardrock mines. We have therefore adjusted our projections downward in recognition of these facts.

COMMISSION VACANCIES

QUESTION: I understand that the terms of two Commissioners will expire this coming year. Your opening statement indicates difficulties in rendering decisions because of the amount of time required to fill the last vacancy on the Commission. Are you taking any actions in anticipation of the vacancies that will occur this year?

ANSWER: The decisional difficulties referenced in my opening statement arose from the legal and factual complexities of a series of cases over which the four-member Commission had split its vote in 1982. With the accession of a fifth tie-breaking Commissioner, we re-argued those cases at great length and ultimately resolved them all. The vacancy itself did not intrude into the Commission's case handling process in fiscal 1982 with the exception of the cases that reached a tie vote.

As indicated, two Commissioners' terms will end August 30, 1984. We have been working with all the parties before the Commission - the industry, miners and Department of Labor - to develop names of suitable candidates

for the upcoming vacancies. In fact, we have been encouraging consideration of these vacancies since last summer. We have also specifically requested assistance from the White House.

MSHA'S ASSESSMENT POLICY

QUESTION: You have indicated that the Mine Safety and Health Administration's (MSHA) new assessment policy has had an undetermined impact on the number of cases litigated. Are you referring to the $20 penalty instituted for violations that are not significant and substantial?

ANSWER: Yes.

SIGNIFICANT AND SUBSTANTIAL

QUESTION: How do you define significant and substantial?

ANSWER: The terms "significant and substantial" are part of the language of section 104(d) of the Mine Act, 30 U.S.C. § 814 (d).... The statutory language requires the Secretary of Labor, through his inspectors, to note whenever a violation "is of such nature as could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard . . . ." The Commission first interpreted this language in a 1981 decision, Secretary of Labor v. Cement Division, National Gypsum Company, 3 FMSHRC 822 (April 1981). The Commission held "that a violation is of such a nature as could significantly and substantially contribute to the cause and effect of a mine safety or health hazard if, based upon the particular facts surrounding that violation, there exists a reasonable likelihood that the hazard contributed to will result in an injury or illness of a reasonably serious nature." 3 FMSHRC at 825. National Gypsum was not appealed. The Commission has begun to "flesh out" the application of this definition in subsequent cases.

$20 PENALTY

QUESTION: What has your experience been with the $20 penalty?

ANSWER: Naturally, the Commission does not see the majority of citations that are not significant and substantial (S&S) and thus assessed a $20 penalty, since these citations are rarely litigated. However, Commission judges have often reviewed settlements, which the Mine Act requires us to approve, that included a removal of the S&S designation and reduction to a $20 penalty. In such instances, the judges have required the parties to submit the same information as for all settlements so the judge can determine if the settlement is proper. Not all such settlements are approved.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF ELINOR M. HASHIM, CHAIRMAN

ACCOMPANIED BY:

TONI CARBO BEARMAN, EXECUTIVE DIRECTOR
MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR
DIANE RAFFERTY, RESEARCH ASSOCIATE

PREPARED STATEMENTS

Senator WEICKER. Next we will hear from the National Commission on Libraries and Information Science, represented this morning by Elinor Hashim, chairperson, and Bessie Moore, vice chairperson, and Toni Carbo Bearman, Executive Director.

We will insert your prepared statements at this point in the record.

[The statement follows:]

STATEMENT OF BESSIE MOORE, VICE CHAIRMAN

My name is Bessie Moore, and I am Vice-Chairman of the Commission, elected to that position by the Members. I have the honor of having been appointed to the Commission (and to its predecessor the National Advisory Commission on Libraries), by Presidents Johnson, Nixon, Carter and Reagan.

Thank you, Mr. Chairman for this opportunity to speak about an area that is very close to my heart.

We believe that libraries have a very important role to play in providing a wide range of special library and information services to the heterogeneous group called the elderly.

There is a tendency for people to stereotype the aging as sick, burdensome, non-productive and obsolete, but the true picture is far different. The aging form a diverse group. There are healthy, vigorous people who can and do work, are active in their community, and live independently. Others lead active lives but with assistance from health, social and other services in order to continue living at home. A third group are so dependent on others they require institutional care. The elderly are found in all cultural groups, at all economic levels and with a broad range of educational achievement. Therefore, within this diverse group there is a broad range of information needs.

There are libraries that have developed good programs and services (for example, Tulsa, Brooklyn, Baltimore County,), but there is a need for more of these programs. We need to know just where library services to the aging are being offered, who are the recipients of the service, what are the components of the service and how the service is delivered. You know, some people have the idea that carrying a few books to people in nursing homes is adequate service to the aging, but they are overlooking the 95% of the elderly who live in the community and have need of infor-

mation on health, nutrition, housing, economic security, retirement, family relationships and the like. Likewise, there are persons who have need for information ABOUT the elderly and the processes of aging, including anyone contemplating retirement.

The Administration on Aging shares our belief that libraries can provide an opportunity to enrich the quality of life of the aging through the provision of services and information specific to meet their special needs. To this end, NCLIS and AoA have begun discussions on a cooperative venture to improve the provision of necessary library and information services to the elderly. Both of our agencies are aware that libraries are often hit harder than other agencies when budget cuts occur. We are concerned that those library programs in place for the aged may suffer and new ones will not begin.

NCLIS is already working with state library agencies and concerned library and information associations on this program. They are very pleased we are working in this area. They say attention to the needs of the elderly is overdue. We also plan to work with the Governor's Advisory Council on Aging in each state. What we are trying to do is to reach the decision makers.

NCLIS is directed in its enabling legislation "to conduct studies, surveys, and analyses of the library and informational needs of the nation, including...elderly persons... ," and this is what we purport to do. Also, a resolution from the 1981 White House Conference on Aging reads "the National Commission on Libraries and Information Science is mandated to give attention to the needs of the elderly. That it move quickly to give leadership to the information needs of the elderly... ." We are attempting to respond to that mandate also.

The Commission's resources may be very small, but we are able to play an important role in helping to meet the library and infor-

mation needs of the rapidly growing portion of our population (estimated to reach 31 million Americans by 1990) to which we will all belong -- the Nation's elderly.

They are as follows:

1) Improving access to information:

-As the numbers of elderly Americans, rural residents, and cultural minority groups increase, libraries are responding to needs for new and effective services. NCLIS will encourage library networks which include all types of libraries (school, public, academic, and special), and the use of public libraries as community information and referral centers. Both of these concepts have the potential for expanding access to information. Anticipated increases in telecommunications costs as a result of the AT&T divestiture, however, will have significant impact on the operation of library networks and the delivery of information. We hope to assist in resolving such problems.

2) Harnessing technology to improve the delivery of information:

-Technology can be both a boon and a barrier to information access. NCLIS will look for ways to overcome the barriers to information for the elderly, rural citizens, and cultural minorities; will examine the role of libraries in computer literacy; and will continue its examination of how information technology and the effective management of information resources can improve productivity.

3) Educating library and information science professionals:

-NCLIS will work with educators, employers, and other interested groups to define the skills that will be needed for this

rapidly changing field and will encourage the private sector to assist in providing the resources needed.

4) Information policies:

-Federal agencies need guidance in determining how to disseminate information products and services by eliminating unnecessary publications and choosing the most effective means for disseminating the needed public information. As resident experts in information management and information policy, we continue to provide advice to Congress and executive branch agencies, such as the Office of Management and Budget, on the development of information policies. We will seek other opportunities to advise the government on improving the dissemination of information paid for by the taxpayers.

5) Establishing a balance between the public and private sectors in the provision of information:

-Questions concerning the value of information, who owns it, and who should pay for it need to be resolved. The new technologies continue to have a significant impact on the protection of intellectual property rights, and new procedures will be needed to cope with these complex issues. NCLIS will complete the updating of its program document, Toward a National Program of Library and Information Services, and determine how these questions should be addressed at the federal, state, and local levels.

We have set an ambitious course for ourselves, but the rapidly changing world of information, and the needs of our nation's citizens in this area, are matters of critical importance which demand national leadership. We believe that we can play a significant role in helping to meet the informational needs of our citizens. I urge you to support our FY 1985 budget request.

STATEMENT OF ELINOR M. HASHIM

As Chairman of the National Commission on Libraries and Information Science (NCLIS), I am pleased to appear before you to request an appropriation of $690,00, to support the Commission's programs in fiscal year 1985. The Commission is a permanent, independent agency established to advise the Congress and the President on policy and planning to best meet the library and information service needs of the people of the United States. I hope to be able to convey to you the goals of this agency, what steps we have taken to accomplish them, and what we intend to do in the future.

Our goal is to focus on those specific issues of greatest importance and we are spending most of our efforts in identifying and helping meet user needs. During the past 16 months we have accomplished the following:

- Worked to improve library and information services to the elderly, citizens in rural areas, adult illiterates, and cultural minorities;

- Assisted Congress and the Department of Commerce in determining how data from land-sensing satellites should be archived.

- Begun to examine the impact of technology on information users and on the productivity of knowledge workers (those whose work produces information rather than a specific product or service);

- Advised federal agencies on the management of information resources and the dissemination of federal information; and

- Advised the State Department and other agencies on international information policies.

Fiscal year 1984 is becoming a year of assessment and transition. We are learning a great deal about users and their needs, and how to meet those needs. The population of the U.S. has changed dramatically since 1970, and the library and information needs of Americans have also changed significantly, as a recent Commission study indicates. New technologies are helping to provide improved access to information, and extensive training is needed to provide the skills required to use these technologies.

In FY 1985, as a first step to helping the library and information community manage the changes, we are concentrating on five major areas which I will now highlight as full details are in the budget justification document which accompanies my statement.

INTRODUCTION OF ASSOCIATES

Ms. HASHIM. Thank you, Senator.

First, I have to apologize for Dr. Moore, our Vice Chairman. She is 81-years-old and lives in Little Rock, Ark., and did not come to Washington last night because of the weather forecast. I'm sure she would like to have been here.

On my right is Toni Carbo Bearman, our Executive Director; on her right is Mary Alice Hedge Reszetar, our Associate Director; and in the audience we have a Research Associate, Diane Rafferty.

I have a brief statement and then I'm sure you'll have some questions.

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In fiscal 1985, as a first step to helping the library and information community manage the changes, we are concentrating on five major areas which I will now highlight, as full details are in the budget justification.

They are as follows:

One, improving access to information: As the numbers of elderly Americans, rural residents, and cultural minority groups increase, libraries are responding to the needs for new and effective services. The Commission will encourage library networks which include all types of libraries—school, public, academic, and special—and the use of public libraries as community information and referral centers. Both of these concepts have the potential for expanding access to information. Anticipated increases in telecommunications costs as a result of the AT&T divestiture, however, will have a significant impact on the operation of library networks and the delivery of information. We hope to assist in resolving such problems.

Two, harnessing technology to improve the delivery of information: Technology can be both a boon and a barrier to information access. The Commission will look for ways to overcome the barriers to information for the elderly, rural citizens, and cultural minorities; will examine the role of libraries in computer literacy; and will continue its examination of how information technology and the effective management of information resources can improve productivity.

Three, educating library and information science professionals: The Commission will work with educators, employers, and other interested groups to define the skills that will be needed for this rapidly changing field and will encourage the private sector to assist in providing the resources needed.

Four, information policies: Federal agencies need guidance in determining how to disseminate information products and services by eliminating unnecessary publications and choosing the most effective means for disseminating needed public information. As resident experts in information management and information policy, we continue to provide advice to Congress and executive branch agencies, such as OMB, on the development of information policies. We will seek other opportunities to advise the Government on improving the dissemination of information paid for by the taxpayers.

Five, establishing a balance between the public and private sectors in the provision of information: Questions concerning the value of information, who owns it and who should pay for it need to be resolved. The new technologies continue to have a significant impact on the protection of intellectual property rights, and new procedures will be needed to cope with these complex issues. The Commission will complete the updating of its program document, "Toward a National Program of Library and Information Services," and determine how these questions should be addressed at the Federal, State, and local levels.

We have set an ambitious course for ourselves, but the rapidly changing world of information and the needs of our Nation's citizens in this area are matters of critical importance which demand national leadership. We believe that we can play a significant role in helping to meet the informational needs of our citizens. We urge you to support our request.

Thank you for your patience.

Senator WEICKER. Thank you very much Elinor.

In your efforts to improve the quality of library and information services to our aging citizens, cultural minorities, and persons living in rural areas to which you referred, do you feel the size of your staff is adequate to handle the work that you're doing?

Ms. HASHIM. Not really. We have undertaken a significant number of increased programs in the last several years while our staff has stayed exactly the same and our budget, as you know, has not increased at all. We are trying to do an awful lot with what we have. We haven't requested increased staff in this year's budget request, but it is certainly something that we need to look at very carefully, because we can't do all of the things we really would like to do with the number of people we have. We have a total of 11, I believe, full-time equivalents.

Senator WEICKER. I've read in the newspapers lately—and I was wondering how you get involved in this, if you get involved at all, or you would like to get involved but can't by virtue of funding—I've noticed a rise in what I would call censorship situations at libraries around the country. I would like to hear your comment upon that.

Ms. HASHIM. That's true. I think the mood of the country is such that there are a number of censorship cases.

Senator WEICKER. Are the libraries fighting these things?

Ms. HASHIM. Yes, they are. The American Library Association has an office of intellectual freedom which assists libraries that are attacked in these areas. It's certainly something that we care a lot about. The ALA is able to offer and provide legal assistance if it is wanted or needed.

Senator WEICKER. But is it being offered? To me this is absolutely the underpinning to any library system in any nation of the world, and either it is, free or it is not the kind of library that we want in our society. It's just as simple as that.

Ms. HASHIM. I agree, and I think every librarian in this country would agree.

Senator WEICKER. Are efforts to censor, to forcibly remove books, et cetera, are these matters that are being contested in the courts of this country, which is the way to contest them?

Ms. HASHIM. Yes, they are. They have been, in New York State particularly.

Senator WEICKER. Is there any reason why this committee should not have some sort of report from you? Are there funds that you presently have or are there funds that we need to add where we, the committee, could be given a report on the status of this whole matter?

Ms. HASHIM. We certainly can give you that information.

Ms. BEARMAN. It would be very helpful to have some additional funding for that, sir. Our budget is so very, very tight that to spend even $2,000 on doing something is a major undertaking for us.

I did also want to add that in addition to the excellent work being done by the American Library Association and other library associations around the country, our own Commission in considering the re-

port from our task force on library and information services to cultural minorities, discussed the question of censorship, and they unanimously went on record as being totally opposed to the removal of material from books and to censorship. So the Commission itself has clearly taken a stand on that.

We would be happy to do such a study for you. It would be extremely difficult with the budget we have. With some small additional funds I'm sure we would be able to do it for you.

Senator WEICKER. Well, I want to pursue that with my staff, my staff meeting with you, because I do want that kind of report; I want to see exactly what is afoot out there. If we allow that to take place, we've got big problems. As I said, I only know what I read, and I would like to find out what is going on.

Ms. HASHIM. We can provide you with that information.

I should have mentioned the stand that we took when we discussed the cultural minorities task force report because one of the recommendations that we did not adopt had to do with removing stereotypical images from materials, and while we don't like stereotypical images in literature, neither do we like removing anything from the printed word, because we believe that is a form of censorship.

Senator WEICKER. I agree. As long as the library is free all points of view are going to come forward. Once you start picking and choosing, I don't know how you do that correctly in a free society.

I note that your resources from other sources have increased by $180,000 to $325,000 in 1 year. How have you raised these resources and how are they being used?

Ms. HASHIM. Well, Toni can answer that in more detail than I can, but IBM loaned us some staff to help us in doing some of our projects. Toni can elaborate further on that.

Ms. BEARMAN. Actually, sir, our estimate for fiscal year 1984 turned out to be a little low. The resources we have been able to bring in from the outside within fiscal year 1984 we estimate will total approximately $252,000.

We have on loan from the Department of Agriculture a senior staff person, which is an estimated donation of about $60,000. IBM's Thomas J. Watson Research Center loaned us two information professionals, paying their full salary, benefits, and half of their travel to any meetings; that's an approximate $70,000. We have had an interagency transfer of funds from the Department of Commerce on the archiving of satellite data, which is about $64,000. The Department of the Army has contributed $8,000 to our technology transfer project concerning adult illiteracy. In addition, we will receive about 50,000 dollars' worth of contributed time from key people in the field. For fiscal year 1985 we will continue having someone on loan from Agriculture. That contribution will increase to about $70,000. We anticipate we will have additional people on loan to us from the private sector whose time will be worth at least $65,000. We estimate time contributed to several NCLIS projects by key members of the field to be worth approximately $20,000.

We will be putting on a demonstration information center during the 1985 meeting of the International Federation of Library Associations and Organizations. All of this will be contributed by not-for-proft and for-profit groups, and that will be approximately $125,000.

In addition, we are working with the Administration on Aging to provide better library information services to our senior citizens and we anticipate approximately $45,000 in an interagency transfer coming from the Administration on Aging totaling $325,000.

Senator WEICKER. Elinor, in your opening comments you made mention of the finanicial impact of the AT&T divestiture. Why would that be a negative? As I understand it, aside from what the additional costs might be within what used to be the old Bell System, there is still available to you many other companies that offer services at substantially less than Bell, like MCI or Sprint or all the rest of the competition that has come up. So why should the divestiture impact upon you?

Ms. HASHIM. There are a number of library network cooperatives operating all around the country, and this is a way for libraries to share their resources. They are hooked to each other by telecommunications.

Senator WEICKER. I understand. But I think you had better go out and shop the market. It could very well be that AT&T is too expensive.

Ms. HASHIM. Some of them are estimating 60, 70, 100 percent increase in their costs. A number of these networks have been developed with Federal funds that have been sent to the States though LSCA. That is one way that LSCA funds have been used, in resource sharing and networks. Because library budgets are shrinking all the time, this is a way for people to share their collections and their resources, through networking the delivery of information. Our concern is that if these costs go up and the budgets for libraries are still decreasing, either the networks will no longer exist or libraries will continue to join networks at the expense of their collections and their staff, and this could be a real problem.

How well MCI or Sprint or any of these others would work in these network situations I really cannot comment on. The Network Advisory Committee at the Library of Congress has been looking at the issue and we've been working with them so that we can keep ourselves fully aware of what's going on, and the American Library Association also has a great concern. Our concern is that we don't want to see networks disbanded, because this is a way, with the shrinking dollar, of sharing resources and making materials available to people who couldn't otherwise have them.

Ms. BEARMAN. One of the difficulties is the way the rates will be charged. Because of the local access transportation areas, the LATA structure, it is not as simple as it used to be for one network to go from point A to point B. They may have to go through five different places, each of them charging a separate charge, which would significantly increase the cost of the access to the network for any library.

We have worked closely with the networks and with the library community to identify the estimated increase. The estimates range from 38

percent to 108 percent for a network in the Washington area because of the different LATA's that must be crossed.

In addition, a concern that we have is that the quality of the service to people living outside major metropolitan areas, may signficantly deteriorate.

There is another change that will have a great impact on libraries: As you know many public libraries have many telephone directories, and if there is going to be a charge of, say, $5 for each of these directories, that can be hundreds of dollars to a very small library that doesn't have this in its budget. In addition, if there will be a charge for long distance information of 75 cents, there is a tendency for people to call their local public library to get that answer for free. So it will place an increased burden on our small local public libraries. We're concerned about the quality of the service and the greatly increased charges for access to the networks, which has saved many hundreds of thousands of dollars over the years. This may actually wipe out the investment that the libraries have made in their resource sharing and networks.

The other problem is, in the short run the costs may be great. In the long run, yes, indeed they may decrease with competition, but as one of the library network people said recently, we can't eat the whole horse at one time. The question is, if these cuts were phased in over a period of time it would be one thing; if the libraries are faced with these increased charges all at one time, within 1 year, they do not have the funds to pay for this and they have no one to whom to pass along the charges.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much.

There will be other questions submitted for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Divestiture of AT&T

QUESTION: Will the divestiture of AT&T have any impact on libraries?

ANSWER: The divestiture of AT&T will have a significant impact on libraries in three ways: cost of telecommunications, quality of service to people outside major metropolitan areas, and increased costs and demands for other services. In the short run (from April 1984 for the next 2-3 years) libraries will be faced with increases in telecommunication rates ranging from 38% to 108%, primarily because of the new Local Access Transportation Areas (LATAs) structure. In the long run, competition may force rates down somewhat. Recent studies indicate that the quality of service to people living outside major urban areas may deteriorate. As charges, such as fees for telephone directories and for long distance information, are instituted for services which previously were provided free, increased demands are expected to be placed on libraries to provide telephone numbers from the library's collection of telephone directories. At a cost estimated to be $5.00 per directory, library budgets, which are already very stretched, may not have the dollars needed to purchase these directories, nor adequate staff to handle anticipated increases in the volume of telephone reference requests.

Many libraries share their resources by participating in networks, which rely on telecommunications systems to provide access to information about the location of books, journals, and other material available from other libraries. Also, libraries are able to save costly and unnecessary duplication of cataloguing through their participation in networks. If the costs of participating in these networks increase significantly, these savings may be eliminated. Moreover, libraries may not be able to join networks because of the higher costs of participation and may find it cheaper to "go it alone", cataloguing their own collection and not sharing their resources as effectively.

Proposals currently under discussion are exemptions from the increased access charges (or significantly reduced rates) for libraries and other educational institutions, a more gradual phasing in of increases, and subsidies for the increased charges.

"National Program for Library and Information Services"

QUESTION: In FY 84 the Committee directed the Commission to update the 1975 report, "National Program for Library and Information Services", with special attention focused on modern information technology. What have you accomplished thus far and what changes do you plan to make?

ANSWER: The Commission has carefully reviewed the Plan and has determined that many of the needs, problems, and concerns are still present today. We also find that several of our taskforces and studies over the past decade have provided significant new data, which will be of use in better understanding these needs, especially those of special populations, such as senior citizens, cultural minorities, and citizens living in rural areas. We have also found

that our work over the past several years has provided recommendations on how to meet these needs more effectively, and were pleased that many of our recommendations have been implemented.

Within the Recommended National Program Objectives, we have determined that the sections on networking and on the use of computers and new forms of telecommunications are the areas in most urgent need of updating. Therefore, we have begun our update with these sections.

So far in this fiscal year we have made significant steps towards updating the Plan. We have completed a study of the key technologies and their applications in the library and information field. This study, entitled "Towards the Information Environment of 1985-1990", was conducted in part through the assistance of two library/information professionals loaned to us by the IBM Thomas J. Watson Research Center. Included in this synthesis of several major previous studies are descriptions of major technologies -- computers, telecommunications technology, videodisc, and videotex -- in clear English, without jargon. The report also discusses the applications of these technologies in the library and information (including publishing) communities. This study provides the information on the technologies needed to update our Program Plan.

A second major component of our work on updating our Plan has been an examination of the major developments in the networking area. At its January 1984 meeting, the Commission received a briefing on changes in the networking field by Henriette Avram, Assistant Librarian for Processing of the Library of Congress. Also, the Commission staff has provided background discussion papers for the members of the Commission.

Throughout the remainder of the fiscal year we will continue our work with the Network Advisory Committee of the Library of Congress to review and revise the Commission's position on networking. Before the end of the fiscal year we will have updated the major section of the Plan entitled "The Nationwide Network Concept". We will also have updated the technology sections of the technology sections of the Plan.

Technology

QUESTION: What are some of the major impacts technology will have on libraries and, in your opinion, what, if any, role should the federal government play?

ANSWER: Technology will have an impact on all aspects of library work, including acquisition of material, document delivery, technical processing, public services (such as reference), and management. The aspects of technology most likely to affect libraries are: microprocessors, distributed processing, mass storage, communications, and software. Numerous articles are appearing in the professional literature on this topic, and no fewer than five books were published in 1983 on the impact of technology on libraries.

The impacts are seen as being positive, permitting faster acquisition of materials, greatly improved access to resources world wide, more efficient management, and significantly enhanced delivery of information to all citizens, including the home-bound and those living in rurally remote areas. The federal government should play three

roles: (1) continuing to support research and development in the area of technology, (2) encouraging the application of technology to encourage the sharing of resources among libraries and the delivery of information to citizens, and, (3) continuing to transfer technology developed by dollars from the taxpayers to the library and information community, as required by PL 96-480.

Education of Information Professionals

QUESTION: Will this country have an adequate supply of information professionals over the next decade as we continue to move into the "Information Age"?

ANSWER: The Commission is concerned that the U.S. will not have an adequate supply of information professionals over the next decades. We are already hearing from decision-makers in industry and within the government that there are not enough adequately trained information professionals to meet their needs in managing information resources and helping the organizations and agencies to cope with the rapid development in information technology. Deans of graduate schools have told us that it is difficult for them to get faculty to teach the information courses because these individuals can command much higher salaries in industry.

The Commission has set as one of its major priorities for fiscal year 1985 working with educators and current and future employers to help the graduate programs get the resources they need to educate and train information professionals. We expect that recommendations from the Department of Education's Study on New Directions for Education in Library and Information Science will provide useful information on the competencies needed by information professionals for the next decade. The Commission will review this study when it becomes available in April 1984 to refine its program in this area for fiscal year 1985.

Non-Federal Funding

QUESTION: I note that your resources from other sources have increased by $180,000 to $325,000 in one year. How have you raised these resources, and how are they being used?

ANSWER: Although under its enabling legislation, "The Commission shall have authority to accept in the name of the United States grants, gifts, or bequests of money for immediate disbursement in furtherance of the functions of the Commission" (PL 91-345, Sec. 4), for the most part, donations to the Commission are in the form of services, rather than dollars.

The Commission has always enjoyed hundreds of hours per year donated by highly paid professionals who assist the Commission in accomplishing its projects. During Calendar Year 1983 the IBM Thomas J. Watson Research Center loaned us two research librarians. We expect to negotiate a future loan of personnel to the Commission from IBM as well as from other private sector businesses. During FY 1985 we hope to raise funds from the private sector to develop a model information center to be used initially at an international library conference in Chicago in August 1985. Parts of the center will be donated to NCLIS after the conference. We have already received complimentary search time from Dialog, an on-line data base system, to help us set up that center. We expect a private sector business to

donate some professional staff time to help us develop the center. We also have on loan to us a senior staff member from the National Agricultural Library. The major difference between outside contributions to the Commission in FY 1984 and 1985 is the funding and other resources we expect to receive for the model information center.

Work With the Department of the Army

QUESTION: There is a law requiring government agencies to transfer to the public any technology they have developed which can be used by the public. I would think that some of the technology being developed would be useful to libraries. Does your work with the Department of the Army involve the transfer of technology to the public and how is this technology being used by libraries?

ANSWER: NCLIS has a cooperative project with the U.S. Army Human Engineering Laboratory to transfer technology developed by the Federal Laboratories that can be used by volunteers and others in cooperation with libraries and information service facilities to increase the level of literacy among out-of-school teens and adults whose basic skills are between the 0-5th grade level. A computer assisted instructional (CAI) program developed by the Navy has been selected to be used at two library demonstration sites, one urban and one rural.

Consultant Services

QUESTION: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for the consulting services.

How do these amounts compare to FY 84 amounts for consulting services?

ANSWER: I have attached the consultant services for FY 1984 and FY 1985.

Consultant services - FY 84 - $22,000; FY 85 - $25,000

This includes fees for authorized work by Commissioners whose terms have expired but have not been replaced, and those who have been appointed by the President, but not confirmed by the Senate. The NCLIS statute (PL 91-345 Sec. 6. (c)(2)) permits the Commission to procure the services of such personnel and pay them at a rate not to exceed that of a grade GS-18. Certain technical services are provided by other personnel. The $3000 additional in FY 1985 will be used to pay for an assessment of the impact of fees on access to information.

Aging, Cultural Minorities and Rural Library Services

QUESTION: I am interested in your efforts to improve the quality of library and information services to our aging citizens, cultural minorities and persons living in rural areas. Would you please expand a little upon your opening statement and give us a brief summary of your present activities and future plans in these areas?

ANSWER: Regarding library and information services to our aging citizens, NCLIS is a member of the Administration on Aging (AoA) Information and Referral Consortium. This group is composed of representatives from government agencies, service providers and the private sector. It provides the opportunity for networking and insuring that other members of the Consortium are aware of the changing role of libraries in providing services to the aging. At the behest of the AoA, NCLIS is working toward a cooperative agreement with the AoA to examine the library and information needs of the elderly and ways to improve the delivery of these services. The first step will be the establishment of a Blue Ribbon Panel to examine the library and information needs of the elderly and prepare a report with recommendations for improving the delivery of services to the aging. The next step will be a Summit Conference convened by AoA and NCLIS and attended by active decision makers from the public and private sector who will examine the recommendations from the Blue Ribbon Panel and suggest ways of implementing them. NCLIS is cooperating with the Chief Officers of State Library Agencies (COSLA) in reviewing responses to a questionnaire distributed by COSLA regarding library service currently being provided in the states. This information will be used to advise the Congress as it prepares to reauthorize the Older Americans Act.

Regarding library and information services to Cultural Minorities, the final report of the Task Force has been disseminated widely and reactions to the report are being compiled for analysis. Monitoring of recommendations implementation is proceeding. Contact is being maintained with organizations and agencies to whom specific recommendations were made to ascertain where they are in the implementation process.

Regarding library and information services to persons living in rural areas, the Commission's National Rural Information Services Development Program (NRISDP) is in a transition phase. The program started with the identification and selection of a number of independent public and private sector programs and activities that had as their purpose improved delivery of information to rural areas. The Commission then concentrated on those activities which appeared to have the potential of being integrated into a national model rural information services delivery system. The Commission encouraged the innovators and change agents who are heading these programs by giving them and their programs national visibility and by bringing them together in national forums. NRISDP is now moving from the catalyst phase of its program plan to the coordination phase. The U.S. Department of Agriculture has been an active partner in the program since its inception.

The current activities of the NRISDP are:

- The co-publication with USDA of the Joint Congressional Hearing on the "Changing Information Needs of Rural America - The Role of Libraries and Information Technologies" July 21, 1982, co-chaired by Senator Mark Andrews (R) N. Dakota and Representative George E. Brown Jr. (D) Ca.

- Hosting and chairing a planning committee which is studying the feasibility of a National Advisory Board on Rural Information Needs. In addition to NCLIS, representation on the planning committee is from the Office of the Secretary of Agriculture, other USDA offices and agencies responsible for

the delivery of information to rural areas, the National Association of State Universities and Land grant Colleges, The Chief Officers of State Library Agencies, The Congressional Research Service, and the local government community. Also, through their professional affiliations, the members of the planning committee are able to express the viewpoints of their disciplines and professions.

- Working closely with the Western Rural Development Center and Utah State University to establish the Intermountain Community Learning/Information Services program at selected rural libraries in Colorado, Montana, Utah and Wyoming.

- Working with the American Society for Information Science to establish a Special Interest Group within the Society on Rural Information Services.

The future plans for NRISDP will emphasize the coordination, implementation and consolidation of the programs and activities which have been described above. Program evaluation will begin. Other interested communities will be identified. Planning documents, reports and other literature will be made available to these communities. Impact analysis will be the primary measurement tool used to evaluate NRISDP. Should the recommendations of the Planning Committee for a National Advisory Board on Rural Information Needs be positive, most of the Commission's resources allocated to NRISDP will be used to implement the Committee's recommendations.

Staff

QUESTION: Do you feel that the size of your staff is adequate to handle the work you are doing?

ANSWER: While the number of major programs that NCLIS has been involved in has increased markedly over the years, the number of staff members to support those programs has not increased. We are dangerously close to not having adequate, permanent staff to be able to do all we propose to do, and we certainly do not have enough to do all we would like to do. We have been fortunate to receive temporary assistance from the private and public sector. These temporary staff members have enabled us to accomplish specific projects we would not have otherwise been able to do. However, these additions to our program staff put additional pressure on our support staff, as well as on our senior staff who must orient them to the Commission's work and give them guidance and supervision. With just a small increase in staff I would feel assured of our capability to continue to provide the level of service we wish to provide.

White House Conference on Productivity

QUESTION: Last Fall there was a White House Conference on Productivity. It would be reasonable to assume that the information management area was a key topic in examining ways to improve the productivity of knowledge workers. Was the Commission involved in this White House Conference? What results of this conference do you see for the information field?

ANSWER: Throughout FY 1983, NCLIS assisted the Executive Office of the President (EOP) with the planning and coordination of the 1983 White House Conference on Productivity. Briefings on plan-

ning, logistics and content were provided for EOP staff. NCLIS involved the U.S. library and information community in the effort in several ways: it provided names of experts and helped form panels for the preliminary conferences; it provided materials for distribution to make participants aware of library and information concerns in relation to productivity; and it prepared a briefing paper on the information component of productivity for distribution to all participants in the preconferences and national conference. The Commission also provided a liaison between the White House Conference and the annual conference of the American Society for Information Science, that had as its theme, "Productivity in the Information Age." NCLIS made an important contribution to the White House Conference by providing the expertise to help the participants understand the crucial role of information technology and the management of information resources in national productivity.

White House Conference on Libraries and Information Services

QUESTION: What are some of the 1979 White House Conference on Libraries and Information Services Resolutions that have been implemented at the local, state and federal levels?

ANSWER: There has been action toward implementation on parts of approximately two thirds of the 64 resolutions which came out of the White House Conference on Library and Information Services. Among the resolutions at the national level which have been implemented are: the adoption and implementation of the national library symbol; the adoption of the Nairobi Protocol to the Florence Agreement which extends duty free treatment to the importing of microforms and audiovisual materials for educational, cultural and scientific purposes; the issuance of the Libraries of America postage stamp and the upcoming release of the Nation of Readers postage stamp; the National Library of Medicine's periodicals collections which were cataloged prior to 1965 have been converted into machine readable form and are now available for distribution in the MARC format over the CATLINE (Cataloging On-Line.); parts of twenty resolutions have been addressed in the House passed H.R. 2878, which reauthorizes the Library Services and Construction Act, Title IV addresses the library and information services for Indian Tribes; the National Agricultural Library reinstated their participation in the CONSER program which is designed to make high quality bibliographic records for serials available through cooperative activities of the three national libraries and other participants; and the National Historical Publications and Records Service is still serving the citizens of our country. I write annually to the heads of eleven federal agencies to get a progress report on how each of their agencies is implementing the White House Conference resolutions which affect these agencies. I communicate with the heads of the following agencies: Office of Management and Budget, the Department of Education, the National Endowment for the Humanities, U.S. Postal Services, the National Agricultural Library, Internal Revenue Service, National Archives Records Service,, the National Library of Medicine, the Department of Commerce, the Department of the Interior, and the Library of Congress.

Every year the White House Conference on Library and Information Services Taskforce (WHCLIST) makes inquiry of all of the states and territories regarding progress of implementation of the resolutions in that state or territory. I would be pleased to submit for the record the reports which show the progress that has been made at

the local, state and national levels from the states that are represented on this committee. If you wish, I will also include the summary report for each year.

We feel that this first White House Conference on Library and Information Services was a very worthwhile endeavor. Its greatest impact has been at the local grass roots level. The total number of participants was more than 100,000 Americans, including those who were actively involved in the state and local speakouts, regional conferences, the 57 state or governors pre-conferences, the national conference and the post conferences to implement the recommendations. The states and territories have been working very hard to implement their share of the 3000 total resolutions which came out of the state and territorial conferences, plus, the 64 resolutions which came out of the national conference.

Legislative Assistance

QUESTION: You are required by your enabling legislation to advise the Congress. In what areas has the Commission worked with the Congress this past year?

ANSWER: The Commission provides technical assistance and advice when requested to Congressional committees who are working in areas for which we are mandated by law to advise Congress. Some examples in the House are the Committee on Science and Technology regarding the archiving of satellite data, the Committee on Agriculture regarding library and information services to rural areas, the Committee on Education and Labor regarding reauthorization of the Library Services and Construction Act and the Higher Education Act, the Committee on Energy and Commerce regarding the effect the recent telecommunications changes will have on library and information services provided through telecommunications networks, the Committee on the Judiciary regarding the impact of technology on protection of intellectual property rights and the effect of these developments on library and information services to the public, the Select Committee on Aging regarding library and information services to the aging, and the Joint Committee on Printing regarding the Ad Hoc Committee on Depository Library Access to Federal Automated Data Bases and the proposed revisions to Title 44. Historically, the Commission has served as an independent, objective source of information; we do not act as an advocate. Also, as is mandated by our enabling legislation, we "have the primary responsibility for developing or recommending overall plans for, and advising the appropriate governments and agencies on ... policy " in the library and information field (PL 91-345, Sec. 5. (a)). We serve four roles in this regard, as: (1) resident expert for the government and for the library and information community; (2) honest broker by bringing together government officials from all three branches to focus on problems of mutual concern, and to identify their solutions; (3) a forum for individuals and associations in the library and information field (in the public sector at all levels, and in both the for-profit and not-for-profit segments of the private sector); and (4) a catalyst to help identify what needs to be done and to help get solutions implemented. We provide technical assistance and advice to the Congress; Congress then drafts the legislation.

FOURTH ANNUAL REPORT FROM THE STATES 1983 WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

CHEYENNE, WYO., SEPTEMBER 21-23, 1983

SUMMARY

This summary tabulates the responses received to the May 30, 1983, "Survey of States and Territories," distributed by Laura B. Chodos, chair, WHCLIST Steering Committee. Through the efforts of Mrs. Chodos and the cooperation of individuals across the country the response rate was nearly 100 percent. Forty-nine States, four trust territories, and American Indian nations replied to the survey. Highlighting library service activities in the States and territories and reviewing overall progress made toward the 1979 White House conference resolution, this report updates the 1982 report to the States.

I. LEGISLATION AUTHORIZING BUDGET INCREASES

Twenty-one States either increased or restored State aid to libraries. (Nineteen States passed similar legislation in 1982).

II. GENERAL LEGISLATION

Nineteen States passed various types of library-related legislation. These new State statutes: Revised or established new State document depository or archival procedures (five States); paved the way for library networking (four States); protected the privacy of library patrons (four States and one territory); provided for expanded library services (three States); exempted libraries from obscenity statutes (two States); transferred State authority for State library programs (one State); and one territory passed resolutions supporting libraries.

III. PUBLIC RELATIONS, PUBLIC AWARENESS PROGRAMS

Thirty States and four territories (an increase over 21 in 1982) reported specific activities to heighten library visibility. Television and radio announcements, signage systems, marketing seminars, slide shows, newsletters, brochures, bumper stickers, newspaper stories, workshops, and special reading programs were among the activities reported. Three States established statewide public relations officers. One State established an intern program for the State library, recruiting a communications major from the State university to assist library development staff. Eighteen States reported using the national library logo in local and/or statewide public relations efforts.

IV. STATEWIDE FRIENDS GROUPS/CITIZEN LIBRARY COUNCILS

Seven States reported the formation of new friends groups since July 1, 1982 (32 States and two territories reported establishing friends groups in 1980 and 1981).

V. EXTENDED SERVICES TO NONTRADITIONAL USERS OF LIBRARIES

Twelve States and one territory emphasized new or expanded services for nontraditional users. Services for the blind or physically handicapped, the elderly, foreign-born, rural, and institutionalized were reported. In addition 10 States stressed the implementation of expanded literacy programs. (Thirteen States mentioned nontraditional services in 1981.)

VI. LIBRARY SERVICES EXPANDED

Nineteen States and territories reported expanded use of technology to enhance library services. Applications ranged from the development of computerized union lists, to the provision of microcomputers for public computer literacy programs. In many cases, technology linked different types of libraries in networks. Three States established technological consultants to assist library administrators in equipment selection and use.

Fifteen States stressed the continued importance of resource sharing. Thirty-four States and territories emphasized that networking, especially involving multitype library cooperation, is a major statewide commitment.

Five States established job information activities or hotlines.

Four States and territories noted a renewed concern for school library development.

Four States noted expanded children's services such as summer reading programs and essay contests.

Three States mentioned specific new adult education activities.

Two States established library consultant positions for children's services and school/public library cooperation.

VII. CONTINUING LIBRARY EDUCATION

Seven States and territories reported holding educational workshops on topics ranging from automation to disaster preparedness. In some States, State library agencies and schools of library and information science are pooling resources to offer continuing education programs. Two States have designated new statewide continuing education coordinators.

VIII. NEW PUBLICATIONS

Twenty-six States and territories reported a wide range of new publications. Common topics were general long-range plans, evaluations of automation, networking or resource sharing, continuing education needs, studies of library finance and/or library use. Seven States are in the process of revising and publishing revised public library standards. (Twenty-eight States reported new publications in 1981).

IX. WHCLIST MEMBER SUPPORT

Thirty-one States indicated State library or library assocation support for WHCLIST participation. Several States mentioned the role WHCLIST members play in encouraging statewide library activities. (Twenty-six States reported support in 1981).

X. INTERNATIONAL YEAR OF THE LIBRARY

The appendix contains material submitted by Puerto Rico concerning the requested international year of the library. Both WHCLIST and the American Library Association are on record in support of this proposal.

SURVEY OF STATES AND TERRITORIES

State or territory: Alaska.
Date: June 6, 1983.
WHCLIST delegate: Ronald K. Inouye (lay); Richard B. Engen, director, division of State libraries (prof.).

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

Recommendations from the preconference have been made a part of the State library's annual plans of service.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

(a) see above; (b) appointees to the Governor's advisory council on libraries, the only statewide library advocacy group, have included those active with the WHCLIS; (c) new State aid fiscal year 1981; and (d) State school library/media coordinator.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

The State librarian can better respond.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

The State library and the Alaska Library Association selectively disseminate WHCLIST information. The national library symbol appears more frequently in newsletters. A pilot signage program using the symbol is underway here in Fairbanks.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

Locally, many reading activities in the malls were initiated during National Library Week. Anchorage is in the midst of building a new municipal library, and the resultant anticipation is increasing.

Project begun to obtain signs with national library symbol for every library.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No__X__; Had one before July 1982_____.

State or territory: Connecticut.
Date: June 4, 1983.
WHCLIST delegate: Geil Orcutt (lay); Denny Sargent (prof.); and Clarence R. Walters, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

It is difficult to identify happenings of the past 12 months as a result of Connecticut's participation in a Governor's conference and the White House conference. We believe that many persons involved in Connecticut library, leadership, and advocacy became involved internally as a result of the conference activity. Statewide friends continues to develop. There is still much potential in this organization to realize in the future. The statewide trustee organization has been reactivated and is becoming a significant promoter of library activity.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

1. The organization of our statewide friends.
2. Interlibrary cooperation—particularly reautomated data bases and circulation.
3. Cooperation between public and school libraries—first promoted by a grant offering made by the State library and the Department of Education for cooperative projects. Now there is a publication coming out periodically reporting on public library-school library cooperation.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

The State library has undertaken an assessment of public library needs relative to our distribution of SACL finds. We have completed a survey and planning based on the survey to reorganize interlibrary loan activities in the State and are now implementing a new ILL program that distributes these services between the local libraries, our cooperative service units (regional organizations) and the State library.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

The State library and CLA have supported the attendance of WHCLIST members at the annual conferences.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

1. TV spots on library services.
2. Bumper stickers, "Connecticut libraries are in the answer business."
3. The State library and CLA are promoting use of the national symbol. They have the symbol added to the postage meter stamp. They find street signing complicated and slow to accomplish.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?
Yes_____; No_____; Had one before July 1982__Yes (1981).

State or territory: Florida.
Date: June 15, 1983.
WHCLIST delegate: Barbara D. Cooper; Frank Evans; and Barratt Wilkins, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)
A major revision to Florida public library law was passed which revised State documents depository program, added a regional library grant program, clarified the political subdivisions eligible to receive State aid and defined "free library service." Academic libraries can now receive consultant services and financial assistance from the State library. Appropriations for school and academic libraries remained flat; State aid increased $500,000. University of Florida library became lead agency in Southwest for HEA II–C $1 million for a serials project.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.
1. Increased participation of libraries in literacy programs.
2. Heightened public awareness of library services and programs (direct result).
3. Medium-sized public libraries (100,000 volumes or more) were incorporated as full resource-sharing components of Florida library information network (FLIN).

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?
Public library standards under revision.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?
State library and council for Florida libraries support travel, telephone, and mail. Evans and Cooper have worked on legislation at State and national level, and particularly on public awareness through the council for Florida libraries. Evans is vice president; Cooper secretary.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?
The council for Florida libraries statewide program, sponsored under a grant from the State library of Florida, won a John Cotten Dana award, June 1983. A steering committee from the council, State library, and Florida Library Association has guided the program. Liliane P. Johnson, library information officer, has promoted it. A new phase, oriented toward business, was launched April 1983.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?
Yes_____; No_____; Had one before July 1982__X__.
Council for Florida libraries (citizens group) cooperates with Florida Library Association trustee and friends caucus, and cosponsors library day in the legislature and State association events and activities.

State or territory: Idaho.
Date: July 8, 1983.
WHCLIST delegate: Linda Pall (lay).

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

The Idaho State Library and the Moscow-Latah County Library System in cooperation with the city of Moscow reconvened a Governor's conference delegation on April 18, 1983, in Moscow on the occasion of the city's dedication of a newly expanded and remodeled Carnegie Library. The reconvening was entitled: "The Governor's Conference on Libraries: Five Years After; A Look at our Accomplishments, our problems and the future."

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

1. Enhancement of the activities and role of the Idaho Library Association.
2. Development of cooperation among libraries and the expansion of on-line services through WLN and various specialized services throughout the State.
3. Successful funding, despite a property tax limitation measure effective statewide, for several facilities projects in Idaho that had waited too long to get accomplished.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

ZIP. The State library is at this time undertaking a series of hearings across the State with the intention of writing a State library plan. The State library does annual data gathering that is available through them on such things as funding levels, circulation, and similar library information.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

I organized the reconvening of the Governor's conference with the assistance of the Idaho State Library, our city, and the Moscow-Latah County Library System. Governor John Evans fully supported the event and gave a very strong speech supporting libraries and information services from those directed at the very first readers to on-line technological information for commerce and industry.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

Reconvening of the White House conference and the current hearings across the State—sorry I couldn't nail just one.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No__X__: Had one before July 1982_____.

Statewide friends; Idaho Library Association has a trustees/friends section which functions to this end.

State or territory: Idaho.
Date: July 14, 1983.
WHCLIST delegate: Charles A. Bolles, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

No significant progress has been made; in fact due to budget holdbacks and reduction some programs have been reduced (primarily support to local libraries from State level).

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

Automated bibliographic data base development through WLN. Revision of discretionary grant process for public library development. Extension of library service to the unserved.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

None: Beginning steps if revision of a long-range plan for library services in Idaho begins.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

No response.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

No response.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No__X__; Had one before July 1982_____.

State or territory: Missouri.
Date: July 17, 1983.
WHCLIST delegate: Joan Collett (prof.); Mildred King (lay); and Charles O'Halloran, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

Library advisory committee had assignments from coordinating board for higher education including recodification of library laws: revision of State aid formula and preparation of State legislation on theft and mutilation of library materials.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

Network bill passed State legislature. Missouri Library Network Corp. formed and serving as OCLC broker. Growth of State friends organizations.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

Planning and strategies document from library advisory committee presented to coordinating board for higher education.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

Supports attendance at WHCLIST meetings.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

State friends publishing a newsletter and groups are growing.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No_____; Had one before July 1982__X__.

State or territory: New Hampshire.
Date: June 7, 1983.
WHCLIST delegate: Sherman Pridham (prof.); Portsmouth Public Library (no lay delegate); and Shirley Adamovich, State library.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)
New legislation establishing a statewide library automation system (1983). Higher appropriations.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.
New legislation (1980) to update the statewide library development program.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?
Report: "New Hampshire Automation Task Force (1982)." Report: "Statistical Data Collection; New Hampshire public libraries (1982)." Report: "New Hampshire Automation Information Systems Board (1983)."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?
There is no support.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?
Individual libraries have done much; hard to tell of most important.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?
Yes_____; No_____; Had one before July 1982__X__.

State or territory: New Mexico.
Date: June 6, 1983.
WHCLIST delegate: Richard Rundell (lay); Vida Hollis Gibson (prof.); and Paul A. Agriesti, deputy State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)
A relatively inactive year in terms of WHCLIST consequences specifically; new State librarian as of May 9, 1983, Virginia Downing, replacing Clifford Lange. No new legislation or services; fighting to avoid cutbacks in existing services. NMLA active in State. Availability of money through State legislation for purchase of books for all public libraries—50 cents per capita.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.
Expanded services for blind and physically handicapped, computerization of State network (public libraries), substantially greater library awareness, a number of multitype library projects for resource sharing. Public service coordinator hired at State library—made available public service radio and TV announcements, workshops on PR et cetera. Statewide OCLC networking with terminals in 14 public libraries joining the academics on OCLC. Continuing education has been greatly increased through cooperation of State library and NMLA.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

Annual report of State library, library statistics, library directory; weekly "Hitchhiker" newsletter from State library, occasional "El Alambre" from State library focusing on wider single issues.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

NMLA supported participation of one delegate (Rundell) at WHCLIST Atlanta in September 1982, with funding for air fare and partial expenses. Rundell serving as president of local (Las Cruces) friends group, member of New Mexico Advisory Council on Libraries, reappointed to second 2-year term; activity in public awareness, local, university, State. Both the State library and the New Mexico Library Association have contributed to enable the WHCLIST delegates to attend the annual meetings.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

No single statewide undertaking, numerous local and regional projects, book sales, library-based activities, booths at culture and art fairs. Radio and TV spots on radio and TV throughout the State—coordinated by the public relations officer at the State library.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No_X_; Had one before July 1982_No_.

Still in planning stage, linkup of existing local friends groups to discuss further plans (either statewide friends group or citizen library advocacy group).

State or territory: Oregon.
Date: August 5, 1983.
WHCLIST delegate: Larry Dalrymple; Wesley Doak, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

Following the Governor's conference, the Oregon State Library committed to and accomplished very specific goals and objectives: Increasing service through regionalized cooperation; locating OCLC in each of the regions; improving services in the field of continuing education to library professionals through grants; the State library hired a children's consultant and a continuing education consultant who could travel around the State providing that expertise at the local level; and instituting per capita State aid support to local libraries.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

The most important library service developments are considered to be (1) funding for State library operations from general funds rather than LSCA funds; (2) increased service through regionalized cooperation; and (3) the locating of OCLC terminals in each of the regions.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

The long-range and annual programs related to LSCA funds were updated, plus grant programs from LSCA.

The library and media groups of Oregon did a survey on how grant money from Oregon libraries should be spent. This survey was done to help rewrite the long-range program for library development in Oregon.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

LSCA funds were provided by the Oregon State Library.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

A public awareness project (distribution of T-shirts, stickers, et cetera) was undertaken by the Friends of Washington County Library Association.

The Multnomah County Blue Ribbon Committee was formed to study the governance, funding, and organization of the Multnomah County Library.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes__X__; No_____; Had one before July 1982_____.

The trustees and friends division of OLA was reactivated.

State or territory: Pennsylvania.
Date: June 24, 1983.
WHCLIST delegate: J. Shipman, (lay); R. Case, (prof.); and Lois K. Albrecht for Elliot L. Shelkrot, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

Pennsylvania Citizens for Better Libraries (PCBL) which grew out of our State conference won the first award as the best statewide friends group from Friends of Libraries USA, 1983. PCBL served as the fiscal agent and helped to support our statewide public relations effort in 1981–82. This project won the John Cotton Dana Award at ALA in 1983. It promoted "your public library—we have the answers."

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

a. The growth of PCBL and its legislative influence along with the Pennsylvania Library Association (PLA) through our annual library legislative day which resulted in 1981 and 1982 in increased State aid to public libraries.

b. The influence of PCBL in the continuing education of friends groups through their newsletter and workshops.

c. Our State comprehensive planning effort involving representatives of all library organizations and interests as well as those of statewide, civic, municipal, and educational organizations. This 15-month process has resulted in recommendations of 19 courses of action to improve library services in Pennsylvania.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

Surveys were part of the process which identified needs and then surveyed a sampling of members groups represented on the planning council to get a reaction to how well the courses of action might improve services.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

PCBL again served as the State library's fiscal agent for a project to introduce the new national library symbol in Pennsylvania. We are the first State to officially adopt the symbol for State highways. The symbol was introduced officially by the Governor at a ceremony and balloon launch during National Library Week. The State library works through PCBL to carry on the statewide PR efforts (described above) and provides a payment to PCBL for their administrative services in carrying out these projects. The president of PCBL served on the advisory committee on this project. PCBL pays for WCHLIST delegates expenses to conferences.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

PCBL again sponsored an essay contest through the schools. Award recipients get a trip to Harrisburg to meet with their senators and representatives. This heightens awareness of PCBL and its activities. Other PR efforts were already mentioned above.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?
Yes_____; No_____; Had one before July 1982__X__.

State or territory: South Carolina.
Date: July 20, 1983.
WHCLIST delegate: Report by Betty E. Callaham, State librarian.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)
At this date it is impossible to attribute developments to the White House conferences. Major events have been restoration of State aid for public libraries after budget cuts, implementation of the State documents depository system, and the second annual library legislative day sponsored by the Association of Public Library Administrators and sections of the South Carolina Library Association.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.
A. Creation of the task force on library automation and networking.
B. Cooperation of State library and USC College of Library and Information Services in continuing education activities.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?
"South Carolina Programs for Library Development, 1983–88."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?
The State library financed delegates' attendance at WHCLIST meetings through 1982–83. Although not a WHCLIST activity, the State library is involved in a major literacy program in cooperation with the S.C. Literacy Association and the office of adult education.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?
A. State aid campaign by Association of Public Library Administrators and State library.
B. your library: Check us out sponsored by the State library on behalf of public libraries.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?
Yes_____; No__X__; Had one before July 1982_____.

State or territory: West Virginia.
Date: July 13, 1983.
WHCLIST delegate: Frederic J. Glazer, director, West Virginina Library Commission; Lewis N. McManus (lay).

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)
1. LAD (Res. II, pt. 1). 2. Individual library surveys done (Res. II, pt. 3). 3. Literacy programs established (Res. III, pt. 2). 4. School-public cooperation (Res. III, pt. 4). 5. Automation program (Res. III, pt. 8). 6. Statewide I&R (Res. III, pt. 10). 7. Fee monitoring (Res. III, pt. 2).

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

(1) Statewide automation; (2) statewide information and referral; and (3) literacy programs established.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

"Survey—Morgantown, Elkins."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

(1) Cooperative programs established with LVA and Laubach; (2) use of symbol encouraged; (3) cooperation with schools; (4) services to adult life-long learner, aging; (5) automation; and (6) marshall inservice training institute.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

Library appreciation day.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No_____; Had one before July 1982__X__.

State or territory: Wisconsin.
Date: August 5, 1983.
WHCLIST delegate: Ruth Schmidt (lay); John Jax (prof.); and Leslyn M. Shires, assistant superintendent and administrator, division for library services.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, legislation, services, et cetera.)

Our lay delegate has become very active in Friends of Wisconsin Libraries, has been elected to the friends board and will chair their legislative committee.

2. Identify the three most important library service developments that have taken place in your State since 1979 as a result (direct or indirect) of your pre-White House conference and the White House conference.

1. Development of a statewide data base of print and nonprint materials.
2. Addition of microcomputer consultant and an automation consultant to the State library agency.
3. Preparation of a plan to permit multitype system development in Wisconsin. Plan was prepared by a council which is appointed by the Governor to advise the division for library services.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

Three studies by the council on library and network development (15-member council appointed by the Governor to advise the State library agency):

(a) "Report on Regional Organizations for Interlibrary Cooperation and Resource Sharing: The Development of Multitype Library Systems in Wisconsin, December 1982";

(b) "Report on State Aids to Medical Libraries in Hospitals, December 1982"; and

(c) "Report on State Aid to Public Library System Resource Libraries, May 1983"; WISCAT manual (a tool designed to assist libraries use the statewide data base of print and audiovisual materials). "District Level Instruction Media Programs in Wisconsin Public Schools 1982: A Status Report."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action (particularly literacy, job, career, and education information projects, use of the national library symbol) have you been able to take in the past 12 months?

The division for library services has paid transportation to WHCLIST meetings for the lay delegate. Four job information projects and one literacy project have been funded by LSCA funds.

5. What is/are the single most important public awareness project(s) undertaken in your State within the past year?

Appointment by the State superintendent of a task force to develop a legislative policy for the 1980's. It is anticipated that the public hearings which the task force will conduct will not only educate Wisconsin citizens but will result in a plan which will benefit library development statewide.

6. Has your State organized a statewide Friends of Libraries Association or other statewide citizens library advisory group since July 1, 1982?

Yes_____; No_____; Had one before July 1982__X__.

Third Annual Report From the States 1982 White House Conference on Library and Information Services Followup Inquiry

Committee Member Responses, September 1982

EXECUTIVE SUMMARY

This summary reviews the responses received to the July 6, 1982 "Survey of States and Territories," distributed by Laura B. Chodos, member, WHCLIST Steering Committee. More than 75 percent of the States (42) and trust territories (2) replied to the survey. Focusing on similar trends and reviewing overall progress made toward the White House conference resolutions, this report updates the "1981 Report to the States." Many States sent excellent attachments that were to extensive to be included. This material will be filed with WHCLIST for reference.

I. LEGISLATION AUTHORIZING BUDGETING INCREASES

Nineteen States passed fiscal increases either for public libraries or for State library agencies. (Twenty States and one territory passed such legislation in 1981.)

II. LEGISLATION AUTHORIZING FUNDING FOR LIBRARY AUTOMATION OR RESOURCE SHARING

Ten States passed legislation authorizing State aid for library automation projects or equipment or to facilitate interlibrary cooperation. (1981—six States and three territories passed similar legislation.)

III. GENERAL LEGISLATION

Twenty-one States passed library legislation that was varied in nature. These bills included school/public library cooperation; transference of State authority for library programs, public library construction moneys; incentive grants for computer literacy programs, Indian library legislation; new library positions; and five States (compared to three States in 1981) passed some type of citizen access protection or confidentiality of library records legislation.

IV. PUBLIC RELATIONS, PUBLIC AWARENESS PROGRAMS

Twenty-one States reported specific activities to heighten library visibility. Video cassettes programs describing library services, newsletters, library logos, public service announcements, the formation of statewide advocacy groups and special posters were indicative of the types of actions taken. (Twenty-four States and four territories noted such activities in 1981.) A national library logo is under development by our ALA committee.

V. STATEWIDE FRIENDS GROUPS/CITIZEN LIBRARY COUNCILS

Eight States reported the formation of new friends groups in addition to the 24 States and 2 territories reporting new groups in 1981. Friends of academic libraries, institutional libraries, and friends of archives are under consideration in some States.

VI. EXTENDED SERVICES TO NONTRADITIONAL USERS OF LIBRARIES

Thirteen States specifically mentioned new or expanded statewide efforts to serve nontraditional or handicapped users. Native American library services multilingual radio and television reading programs, captioned films, TTD Spanish language materials, microcomputers on loan to users and businesses, mail-a-book programs and service to blind, visually handicapped and the elderly were some of the services mentioned. (Seventeen States and one territory mentioned such new services in 1981.)

VII. LIBRARY SERVICES EXPANDED/NEW STATEWIDE LEADERSHIP

Fourteen States reported specific expanded services reflective of White House conference resolutions (six States and one territory mentioned similar services in the previous year's report). The establishment of a regional storage center was mentioned by one State; preservation activities; adult education activities; network development; bookmobile services and the development of a statewide disaster plan were noted in the States' reports. One State has expanded library services through portable libraries in rural communities.

VIII. CONTINUING LIBRARY EDUCATION ACTIVITIES AND WORKSHOPS

Six States reported holding educational workshops on topics ranging from grantsmanship to preservation or developing other continuing library education opportunities. (Twelve States reported similar activities in 1981.)

IX. NEW PUBLICATIONS

Twenty-seven States reported newly published studies, reports, needs assessments, and other publications such as long-range plans, trustee handbooks, friends directories, statewide system feasibility studies and needs assessments for correctional facilities. (Fourteen States and one territory reported similar publications in 1981.)

X. STATE-LEVEL CHANGES IN LIBRARY RESPONSIBILITY

Seven States reported changes in State-level authority over library matters or changes in the State level activity, including new library authorities and the collaboration of archives and library agencies.

XI. DOCUMENTS AND ARCHIVAL ACTIVITY

Six States indicated new statewide documents or State depository activity. Three States reported library/archival agency combination and/or cooperation.

XII. WHCLIST MEMBER ACTIVITY AND STATE OR ASSOCIATION SUPPORT

Twenty-six States reported that State library agencies or library associations contributed to WHCLIST participation. Two States noted that WHCLIST members had left their State. Three States reported WHCLIST members had accepted leadership positions in other library-related activities.

SURVEY OF STATES AND TERRITORIES

State or territory: Connecticut.
Date: July 20, 1982.
WHCLIST delegate: Geil Orcutt (complied by Clarence Walters); Dency Sargent.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

The following are activities and improvements which will benefit library service in the State. Some are related to Governor's and White House conferences; others are not, but all are listed because they are related to library advancements in the State.

(a) State library budget approved at level to maintain existing levels of service; included special augmentation to the library materials budget by the legislature to restore some loss incurred with across-the-board budget cuts in 1981–82.

(b) Division of library development reorganized and assignments changed in order to provide improved and expanded consultant service to libraries in the State.

(c) Installation of an automated film booking system and publication of a film catalog have improved the effectiveness and efficiency of the State library's film center. Has resulted in an expansion of the State library's film collection by libraries in the State.

(d) Establishment of a grant program to encourage school/public library cooperative relationships jointly sponsored and funded by the State department of education and the State library; 19 separate projects funded during this first year of the program.

(e) Establishment of a joint task force of State library and State department of education to explore other possible areas of cooperation between the two agencies which will improve services to school and public libraries in the State.

(f) Production and distribution of a 5-minute video cassette tape on the organization and services of the State library. Part of an effort to expand general visibility of library service in the State.

(g) Foundation grant of $200,000 to automate circulation and patron records of the library for the blind and physically handicapped. Should result in improved services to the visually handicapped in the State.

(h) Grant of $25,000 to perform a State historical records needs assessment survey.

(i) Agreement to provide Northwest area of the State 30,000 to 35,000 books to provide a bulk loan service to libraries in that area. This will help small libraries in this area of the State to meet needs of their patrons.

(j) Development of major special State library museum exhibit on the life and work of Igor Sikorsky. Sponsored jointly by the State library and United Technologies Corp. Has done much to increase the visibility of the State library and library service generally.

(k) Adoption of State library automation policy by State library board. Part of an overall effort to coordinate and support library automation in the State.

(l) Adoption of policy of confidentiality of library circulation records and the freedom to read by the State library board.

(m) Establishment of a library automation information clearinghouse at the State library. Provides access on library automation planning to libraries in the State.

(n) Establishment of State library workshop calendar of programs for library personnel in the State.

(o) Agreement with the State of Rhode Island to become a part of Connecticut's regional document depository system.

(p) Purchase of captioned films for use with the deaf.

(q) Agreement with the Library of Congress to participate in a cooperative reference project on a trial basis. The trial program would transfer to the State library questions sent directly to LC by Connecticut residents.

(r) Establishment of a friends of the State library Stamford law unit.

(s) Legislative reception sponsored jointly by the State library, Connecticut Library Association, Friends of Connecticut Libraries, and Association of Connecticut Library Boards.

(t) Resolution by Governor proclaiming library day in Connecticut. Naming of the Governor's wife as first honorary member of the Friends of Connecticut Libraries.

(u) Testimony by various Connecticut representatives at the hearings conducted by the House Postsecondary Education Subcommittee in New Haven in September.

2. What major library legislation has been enacted or is under consideration in your State?

Not included.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

(a) A 5-year assessment of the progress of the State's cooperating library service units.

(b) Review of public library statistics collected annually, revision of statistical collection form, and publication of statistics for statewide distribution after a several year hiatus.

(c) Publication of a State library film service catalog.

(d) Publication of catalog of audio cassettes produced by volunteers for use by blind users of the LBPH service.

(e) Publication of a brochure to describe the new organization and services of the division of library development.

(f) Publication of a brochure to describe the uses of LSCA funds and the potential impact of the loss or reduction in these funds.

(g) Publication of an index to the bills considered and passed during a recent special session of the legislature. This is normally done by the office of legislative management; however, they were unable to handle for this special session.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

Partial financial assistance to attend meetings. Attendance at Detroit meeting. One WHCLIST delegate testified at the Paul Simon committee hearing in New Haven and also at the congressional hearing on the budget for NCLIS.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?__June 1981 (Incorporated).

During the past year special effort was made in the State to develop a cooperative relationship between various library interest groups.

(a) A representative of the Association of Connecticut Library Boards and Friends of Connecticut Libraries serve on the Connecticut Library Association legislative committee.

(b) Representatives of these two groups serve on the State library's interagency library planning committee. ILPC is the State library's advisory committee on library planning.

(c) CSL, CLA, ACLB, and FCL worked cooperatively to sponsor a legislative reception at the State library.

(d) Recently revitalized trustees' association (ACLB) has conducted two workshop series during the past year. One of library financial planning and the other on personnel policies and procedures. The State library has worked in close liaison with ACLB in planning and conducting the workshops.

State or territory: Alaska.
Date: July 9, 1982.
WHCLIST delegate: Ron Inouye.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

No response.

2. What major library legislation has been enacted or is under consideration in your State?

Library assistance grant program implemented. New legislation in 1981 to provide public library assistance grants and interlibrary cooperation assistance grants.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

"Long-Range Program for Library Development." Annual update for the Library Services and Construction Act requirement.

Epstein, Hank. "Recommendations for resource sharing using automation for Alaska libraries."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

No response.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No__X__; If so, when was it organized?_____.

State or territory: Florida.
Date: August 4, 1982.
WHCLIST delegate: Barbara D. Cooper; Lana Jane Brent.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

State aid to public libraries was raised $500,000. An LSCA grant of $110,000 for a statewide public awareness program was administered by the council for Florida libraries and will be funded for 1 more year. For the first time school libraries received a special appropriation of $3.7 million for library materials and equipment, to go up slightly the second year. The university libraries materials budget was increased and considerable construction and remodeling is underway. The community college special materials category was reduced somewhat; capital funds requested were increased but not all projects funded. The State interlibrary loan system was restructured. COMCAT figures show declining duplication even with acquisitions up. The State interlibrary loan network is now satisfying 90 percent of instate requests.

2. What major library legislation has been enacted or is under consideration in your State?

A full revision of chapter 257, Florida statutes, State aid to public libraries, is being prepared for the next legislative session.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

The Florida Library Association published its first intellectual freedom manual.

"Florida Standards for Public Library Service" are being revised under a grant from the State library.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

The State library has funded travel to WHCLIST annual meetings and the ALTA workshop in library leadership. Delegate has participated in direction of the statewide public awareness program and reported on it to WHCLIST. Letters have been written to Congress on legislative matters.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?__March 1979.

State or territory: Hawaii.
Date: June 13, 1982.
WHCLIST delegate: Wil Hokama.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

Hawaii does not have regular meetings of the White House conference delegates. However, two objectives of the Hawaii pre-White House conference are being accomplished: (1) the creation of a separate library system. Act 150, SLH 1981, gives the board of education the power to run public libraries; and (2) the automation of the circulation and catalog systems.

2. What major library legislation has been enacted or is under consideration in your State?

Act 150, SLH 1981, the superintendent of education has relinquished direct control of public libraries to the board of education giving libraries administrative autonomy within the Department of Education.

The appropriations act, 1982, included $702,194 for an automated circulation system.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

Survey of automation.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

None. White House conference delegates are active in library affairs. Clinton Akana is chairman, Oahu Library Advisory Commission; Wil Hokama belongs to the library services and construction act advisory council.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so when was it organized?_____.

The Friends of the Library of Hawaii is an old organization and gives tremendous aid and support to libraries in the State. The executive secretary is Barbara Oberholzer.

State or territory: Idaho.
Date: July 13, 1982.
WHCLIST delegate: Linda Paul; Helen Miller.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

An ongoing assessment of resource sharing, technological development, and delivery of library services which incorporates aspects of White House conference activities. No specific activities related directly to issues identified at the conferences have been instituted in the past 12 months.

2. What major library legislation has been enacted or is under consideration in your State?

No major library legislation is currently under consideration.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

None.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

No direct support. Resolutions from the 1978 Governor's conference and the WHC have been utilized inthe planning and development of existing network and system structures.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?
Yes_____; No__X__; If so, when was it organized?_____.

State or territory: Missouri.
Date: August 18, 1982.
WHCLIST delegate: Joan Collett.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)
Task force prepared "Library Planning Document" for Missouri Coordinating Board for Higher Education. CBHE then appointed a library advisory committee. Strategies for the library planning committee then developed in a 2-day think session and presented to CBHE with implementation calendar and time lines.

2. What major library legislation has been enacted or is under consideration in your State?
Committee underway with major efforts looking toward general recodification of State library laws. However, this is considered a several year project.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?
See above.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?
State library encourages and funds delegates attendance at WHCLIST meetings. Missouri WHCLIST delegate current president of ALTA

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?
Yes__X__; No_____; If so, when was it organized?__October 1981.
Newspaper being published; affiliation with Missouri Library Assocation.

State or territory: New Mexico.
Date: July 12, 1982.
WHCLIST delegate: Richard Rundell; Vida Hollis.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)
Thorough review of bookmobile services in preparation for possible LSCA funding cutbacks; expansion and implementation of computer terminals in 14 small public libraries; implementation of video services for State library.

2. What major library legislation has been enacted or is under consideration in your State?
State senate bill funding interlibrary cooperation and book purchase for small libraries.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?
Several surveys of plans for interlibrary cooperation, resource sharing.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?
Both State library and New Mexico Library Association have supported travel of WHCLIST delegates to annual meetings and to steering committee meetings; main activity as WHCLIST member in capacity of WHCLIST secretary and "LISTEN" newsletter editor; presentation on WHCLIST activities at annual NMLA meeting.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?
Yes_____; No__X__; If so, when was it organized?_____.

State or territory: New Hampshire.
Date: July 16, 1982.
WHCLIST delegate: Sherman Pridham.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)
(1) Statewide network underway (automation) September 1982.
(2) New legislation (August 1981).
(3) Liaison planning committee report (May 1980).

2. What major library legislation has been enacted or is under consideration in your State?
A new statewide library development system. Chapter 499, New Hampshire Laws. (No funding attached).

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?
Long-range plan (5 years). "New Hampshire Automation Task Force Report."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?
The New Hampshire Advisory Council on Libraries and the New Hampshire State Library Commissioners voted to fund our delegate to the committee of 118, (1981).

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?
Yes__X__; No_____; If so, when was it organized?__1976

State or territory: Pennsylvania.
Date: August 13, 1982.
WHCLIST delegate: Robert Case; Jule Shipman.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)
(a) Because of the cooperative efforts of the State library, Pennsylvania Citizens for Better Libraries, (PCBL), the Pennsylvania Library Association, (PLA, and other library supporters the Governor's recommended increases to libraries passed the legislature. This included 8 percent in public library State aid, 16 percent to regional libraries for the blind and physically handicapped and an 8-percent increase in the State library's operating budget.
(b) A new division of State library was established, school library/media and education resources that places the responsibilities of school libraries under the State librarian for the first time.

2. What major library legislation has been enacted or is under consideration in your State?
Again through the support of the above groups an amendment to the library code was passed by the legislature as act 105 that gives the State librarian the authority to promote cooperation among different types of libraries and to provide financial support for cooperative programs. This legislation was an outgrowth of a recommendation made at our Governors conference in 1977.
Other legislation again supported by the library-community and passed as act 95 defines grades and provides penalties for library theft and exempts library employees from liability from detaining or arresting suspects.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

A comprehensive plan for libraries service in Pennsylvania is being developed through a planning process that involves library and nonlibrary groups in a planning council and steering committee.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

The State library has provided a staff member as liaison with the Pennsylvania Citizens for Better Libraries and has encouraged that group in its efforts. PCBL pays expenses for WHCLIST meeting. PCBL, PLA, Pennsylvania School Libraries Association, Pennsylvania Learning Resources Association, and the State library planned and conducted a series of seven workshops for school libraries on the block grant program and how they should proceed to make their funding needs known to their local officials. The same groups sponsored the publication of a newssheet urging support for libraries at the Federal level.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?__1978 (PCBL).

In response to your PS enclosed is a copy of Elliot Shelkrot's testimony on behalf of LSCA that might be of interest.

Because Pennsylvania has one of the largest rural populations of the States our programs naturally encompass activities related to rural communities without specifically signaling out the rural aspects. You may be interested in the enclosed "Background Document for the Comprehensive Plan" which describe some of the issues faced by Pennsylvania libraries both rural and urban.

For further information on rural libraries you may wish to contact: Dr. Bernard Vavrek, Center for Rural Studies, Clarion State College, Clarion, Pa. 16214.

State or territory: South Carolina.
Date: July 26, 1982.
WHCLIST delegate: Catherine Lewis: Horry County Public Library, 1008 Fifth Ave., Conway, S.C. 29526.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

At local level: (1) Continuing activity in the political arena: Legislative day, seminars, lectures. (2) Cooperative activities (local document seminar involved several types of libraries).

At State level: (1) Library legislative day sponsored by the S.C. Association of Public Library Administrators held on February 10, 1982, was successful in informing State legislators about library concerns. Over 200 librarians, friends, and trustees from 43 counties and 58 legislators attended the morning coffee. (2) S.C. librarians met with their Congressmen on ALA's legislative day. (3) S.C. librarians, friends, and trustees participated in the "three plus three" campaign in the effort to lobby for LSCA funding and legislation at the national level. (4) Librarians, friends, and trustees were successful in contacting S.C. legislators and adding $100,000 to the State library's book budget for fiscal year 1983.

2. What major library legislation has been enacted or is under consideration in your State?

Documents depository legislation was enacted. In essence, this legislation names the State library as the official depository for State publications and enables the State library to establish a system of subdepository libraries in each of the 10 planning districts.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

A feasibility study for a statewide library network was done by Metrics Research Corp.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

The State library foots the travel bill for attending annual WHCLIST meeting. Reports on WHCLIST activities to meetings of librarians and lectures on political action.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No__X__; If so, when was it organized?_____.

State or territory: West Virginia.
Date: August 18, 1982.
WHCLIST delegate: Frederic J. Glazer.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

Literacy program recommended by WHC resolutions has been implemented in nine counties. Libraries work closely with the Literacy Volunteers of America.

Successful annual legislative appreciation day dinner held and 90 percent of State legislators attended.

2. What major library legislation has been enacted or is under consideration in your State?

State library agency received 10-percent increase.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

None.

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

Friends groups across State now have over 4,000 members.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No_____; If so, when was it organized?_____.

State or territory: Wisconsin.
Date: August 5, 1982.
WHCLIST delegate: Prepared by Wisconsin Division for Library Services for WHCLIST delegates.

1. What has happened in the past 12 months as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in appropriation, services, et cetera.)

Revision and publication of the second edition of "Statewide Plan for Indian Library Services." Support for protection of individuals rights to privacy in use of library materials. State superintendent's policy on library automation adopted.

2. What major library legislation has been enacted or is under consideration in your State?

Completion of statutory amendments necessary to assure opportunity for Indian reservation/tribal libraries to participate in public library systems. Provision in new State law concerning citizens' access to public records of a section protecting confidentiality of records of use of library materials.

3. What statewide plans, surveys, needs assessments or similar publications have appeared in your State within the last 12 months?

(a) "District Level Instructional Media Programs in Wisconsin Public Schools, 1982: A Status Report."

(b) Publication of a steering committee report—"Wisconsin Library Network Plan Report: Recommendations for Network Development at the Area Level."

4. How do your State library and/or statewide associations support your activity as a WHCLIST member? What WHCLIST action have you been able to take in the past 12 months?

The State division for library services will pay expenses for one of the two WHCLIST delegates attendance at the September meeting. There is no statewide association support for members. See above for WHCLIST action.

5. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes X ; No_____; If so, when was it organized? 1963.

Report From the States 1981 White House Conference on Library and Information Services Followup Inquiry

Committee Member Responses, September 1981

EXECUTIVE SUMMARY

The following executive summary with suggested points to be considered by WHCLIST delegates has been prepared from responses received from the survey of States and territories sent out by Laura B. Chodos, member, WHCLIS Steering Committee, on June 26, 1981. Forty States, Guam, Commonwealth of the Northern Mariana Islands, Puerto Rico, and the Virgin Islands are represented.

I. POSITIONS GENERATED AS A RESULT OF PRE-WHITE HOUSE CONFERENCE AND WHITE HOUSE CONFERENCE ACTIVITY

Ten States and one territory reported creation of new positions including public relations professionals, State library personnel, and special service staff.

II. LEGISLATION AUTHORIZING BUDGETARY INCREASES

Twenty States and one territory have passed increases in State aid to libraries, in many cases changing census bases from 1970 to 1980 and making per capita adjustments.

III. LEGISLATION AUTHORIZING OR ANTICIPATING INTERLIBRARY COOPERATION

Six States and three territories have passed legislation to accelerate cooperation between different types of libraries or further facilitate sharing and conservation of resources. Six additional States have submitted proposals for comprehensive plans to encompass all types of libraries.

IV. PROFESSIONAL/PATRON PROTECTIVE LEGISLATION

Three States reported passage of legislation protecting public library circulation records from capricious inspection by extremist groups, or exempting public library employees and trustees from criminal liability in antiobscenity cases involving library materials.

V. NEW PUBLICATIONS

Fourteen States and one territory published materials inspired by WHC, including trustee handbooks, surveys, statewide library development plans, public relations manuals, and documents on library automation, networking, and information transfer technology.

VI. CONTINUING EDUCATION PROJECTS FOR LIBRARIANS

Twelve States have initiated studies of the status of continuing education plans or programs for library professionals, or have held staff development workshops.

VII. ADULT/USER EDUCATION PROGRAMS

Six States and one territory have developed adult education/user education programs linking libraries to formal educational institutions or have established library-based educational/career information centers. Literacy programs have also increased.

VIII. STATEWIDE FRIENDS GROUPS

Twenty-four States and two territories report active friends groups. Typical friends' objectives include broadening the base of citizen library support, increasing the visibility of libraries, and assisting with legislative efforts. A table illustrating the status of friends groups follows:

	No. of active friends groups	States and territories without friends groups
Dates of formation of active friends:		
Unknown	4	
1918	1	
1936	1	
1940's	1	
1960's	1	
1973	3	
1978	2	
1979	4	
1980	7	
1981	2	
Total	26	18

IX. EFFORTS TO HEIGHTEN LIBRARY VISIBILITY

Promotional/awareness campaigns have been initiated in 24 States and in the 4 reporting territories. Statewide library logo utilization, special workshops, employment of audiovisual technology, and provision of universal library cards are among actions that have been taken.

X. EXTENDED SERVICES TO NONTRADITIONAL USERS OF LIBRARIES

Seventeen States and one territory have initiated programs in response to WHC resolutions regarding outreach services to the handicapped, minorities, adult learners, and incarcerated populations.

XI. STATE OR ASSOCIATION WHCLIST DOLLAR SUPPORT

Twenty-seven States and three territory agencies or library associations financially contribute to WHCLIST activity. In a majority of instances reported, the State library has supported travel expenses of WHCLIST members while the State association has been actively involved in presenting programs which address WHC resolutions.

POINTS TO BE CONSIDERED BY WHCLIST DELEGATES

A. Is there a connection between the existence of strong citizens' library advocacy groups and legislation favoring libraries?

B. Has WHC-related activity stimulated increased linkage between libraries and non-library public service/cultural agencies such as museums, the print and electronic news media, arts councils, park agencies, and counseling services?

C. What are the implications of interactive communications technology for libraries, especially as it affects their capability to serve as sites for adult and remedial education? What part should WHCLIST delegates play in this rapidly developing area?

D. What steps should WHCLIST take to resist further erosion of Federal support of libraries?

E. How can WHCLIST help to secure adequate support at the State and local levels if Federal programs such as LSCA, ESEA, and HEA should be drastically cut or discontinued?

F. Which functions not currently taken on by professional librarians and their associations can WHCLIST assume? Possible roles could include the following: Increasing citizen awareness of library values and needs; advocating upgraded educational qualifications and technical competence for library professionals; guarding against monopolization of information access technology by the private sector; stimulating international and cross-cultural connections between libraries; discouraging type-of-library fragmentation and protectionism; suggesting and sponsoring national library and information services legislation; and pressing for more equitable access to information through multistate resource sharing.

Survey of States and Territories

State or territory: Alaska.
Date: November 6, 1981.
WHCLIST delegate: State library.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Better awareness of libraries, services, and needs. New State aid for libraries.

2. What implementation actions have taken place within the last 12 months or are now planned?

Local libraries providing services to correctional institutions and senior citizen homes. Alaska library network comfiche catalog has been distributed to libraries and use if improving interlibrary loan.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

Alaska Library Association task force report on library need. Long-range program for library development in Alaska.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

Library assistance grants program, chatper 36, session laws of Alaska 1981. Partial funding for Alaskana conservation staff and program.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

One delegate and one alternate are now on Governor's advisory council on libraries. As delegates, however, there is little happening. The delegate on council represents Alaska as possible and reports back to the council which took the lead in the conferences.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No__X__; If so, when was it organized?_____.

State or territory: Connecticut.
Date: July 21, 1981.
State agency: Leslie Berman.
WHCLIST delegate: Geil Orcutt; Dency Sargent.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

A. Friends of Connecticut LIbraries held their first annual meeting in June 1981. This organization was formed in November 1980, to support and coordinate activities of local friends groups and to stimulate good library service throughout the State.

B. The process of planning. In January 1981, Clarence Walters, State librarian, invited several librarians and lay people to discuss the process currently used for Connecticut library planning. The group agreed to write a preamble describing the need for the creation of a planning process and to develop a framework to guide Connecticut library planning in the next decade. The group hopes to share materials with the Governor's and White House conference delegates.

C. Governor's conference update. Two White House conference delegates prepared a written update in December 1980, to inform Connecticut Governor's conference delegates about events since the December 1979, conference.

D. The Connecticut State Library Board asked the interagency library planning committee to evaluate the current State aid formula for the purpose of improving the quality of library and information services and insuring that all individuals have equal access to the library and information resources of the State. New formulas have been proposed and are currently being reviewed. New legislation will be introduced during the 1982 general assembly session.

2. What implementation actions have taken place within the last 12 months or are now planned?

See above.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

A. "LSCA Long-Range Plan for Statewide Library Development in Connecticut, 1980–85" related to resolutions passed at the Connecticut Governor's conference to specific LSCA objectives.

B. "The Epstein Plan for the Use of on-line technology in Connecticut Libraries, 1980–85" was published in 1980.

C. A survey of Connecticut Friends of Libraries groups was completed in 1980. Information on contact people and constitutions and bylaws was obtained.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

None.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

The State library has provided partial assistance to help finance the cost of attending the WHCLIST meetings.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?__November 1980.

State or territory: Florida.
Date: July 10, 1981.
WHCLIST delegate: Barbara D. Cooper; Lana Jane Brent. (Coordinated with State Library of Florida).

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Building on the support of the Governors' and WHC delegates, a strong grassroots legislative effort has resulted in a 40-percent increase in State funding for library programs. This includes an increase this year of $1.4 million for State aid to libraries, doubling of the State library's book budget, four new positions for the State library, and 138 percent increase in library student assistant's funds. The State aid appropriation has doubled since the Governor's conference.

2. What implementation actions have taken place within the last 12 months or are now planned?

To implement the Governor's and WHC resolutions a public awareness program was initiated resulting in opening a statewide library information office program and securing a PR professional an library information officer with over $100,000 in operating funds.

One of the major resolutions of the Governor's conference concerned interlibrary cooperation planning for the State. Implementation resulted in restructuring the interlibrary loan network and bringing regional library systems into the statewide network as full partners.

The Council for Florida Libraries, Inc., organized by participants in the Governor's conference to create public awareness of libraries has conducted two statewide book and author festivals, published a professional newsletter (1,500 dist.) and become a recognized force for libraries

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

A "Statewide Continuing Library Education Plan," completed and distributed. "The Future of the Florida Library Information Network?," a study, completed and distributed. "The Florida Interlibrary Loan Improvement Project: A Report," completed and distributed. "Libraries in the Sunshine News," for delegates and alternaties to the Governor's conference, was last issued in October 1980 to report on the Minnesota conference and may be issued after Detroit.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

None on the State level. We are organizing our legislative network to support the NLISA.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

The State library pays the travel expenses of WHCLIST delegates. The Florida Library Association offers full support, and the Council for Florida Libraries participated in projects for public awareness and provides information through its newsletter. (The Florida Library Association journal, "Florida Libraries," devoted its March–April 1980 issue to the White House conference. Many articles were included, with one from this WHCLIST delegate.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?_____.

The Florida Library Association trustees and friends caucus was organized a number of years ago. the Council for Florida Libraries, Inc. organized by citizen delegates to the State conference, was incorporated inAugust 1979, and works to involve business and industry in library support, as well as others who might not otherwise be involved.

State or territory: Hawaii.
Date: August 11, 1981.
WHCLIST delegate: State Library Agency.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Additional positions have been appropriated to work with the handicapped.

2. What implementation actions have taken place within the last 12 months or are now planned?

Implementation actions taken place, though not necessarily attributable to the pre-White House conference and the White House conference: (a) Effort to strengthen collection development among the hierarchical system of public libraries with the new to maximize purchasing power with a minimum of unnecessary duplication; and (b) plans to explore interlibrary networking between multitype libraries in Hawaii.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

None.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

None.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

None for post-White House conference activities.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?_____.

Organized by statute in mid-1960's.

State or territory: Missouri.
Date: July 22, 1981.
WHCLIST delegate: Joan Collett; Mildred King.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Money down. State aid cut 50 percent in fiscal year 1981 from fiscal year 1980; and 10 percent so far in fiscal year 1982. No new legislation passed. Coordinating board for higher education has appointed a library advisory committee. Two studies have identified priorities and outlined steps necessary for formation of a statewide network corporation.

2. What implementation actions have taken place within the last 12 months or are now planned?

Appointment of a library planning committee and a library advisory committee by the coordinating board for higher education. Of the 13 members on the planning committee, 3 were White House conference delegates, 11 were Governor's conference delegates. The library advisory committee (20) has one White House conference delegate and six Governor's conference members.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

"Long-Range Plan for Establishing and Operating the Missouri Library Network Corporation."

"Final Report from Missouri's Delegation to the White House Conference on Library and Information Services."

4. What legislation has been enacted or is under consideration as a result of the White House conference?

A network enabling bill has been introduced in the last two sessions of the State legislature. None yet passed.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

State library has funded our attendance at Minneapolis and will to Detroit.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No_____; If so, when was it organized?_____.

Being organized in conjunction with trustees and citizens division of the Missouri Library Association.

State or territory: New Hampshire.
Date: July 6, 1981.
WHCLIST delegate: Sherman Pridham.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Liaison planning committee; HB 359; federally funded programs now State funded; increased State funding for State library; Federal LSCA funding of accreditation system for 2-year period and 5-year LSCA project for automated network.

2. What implementation actions have taken place within the last 12 months or are now planned?

HB 359; WHLA, urban librarians, and State library planning fiscal year 1984 legislative activity for State funding of HB 359.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

Liaison planning committee report (needs assessment). New long-range program (LSCA plan).

4. What legislation has been enacted or is under consideration as a result of the White House conference?

HB 359—Statewide library development plan—new—passed.
HB 416—Statewide card out—passed.
HB 500—Handicapped part of State service—passed.
HB 849—Restructure commission—tabled.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

No response.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No_____; If so, when was it organized?_____.
Friends, I guess, is all.

State or territory: New Mexico.
Date: August 17, 1981.
WHCLIST delegate: Vida C. Hollis, professional.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Public relations position at State library established. Continuing education projects gaining much impact.

2. What implementation actions have taken place within the last 12 months or are now planned?

No response.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

Needs assessment for public libraries.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

$650,000 bill for books for public libraries enacted this year. Networking bill passed and 14 libraries put on OCLC.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

Last year State library and NMLA furnished money for our two delegates to attend follow up meeting in MPLS. Not doing it this year, so we cannot attend.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_X_; No_____; If so when was it organized?_____.
Many many years ago

State or territory: New Mexico.
Date: September 8, 1981.
WHCLIST delegate: Clifford E. Lange (by Paul Agriesti).

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

1. Establishment of a full-time professional public relations officer at the State library.

2. Strengthened support for the establishment of an on-line, interlibrary loan network.

2. What implementation actions have taken place within the last 12 months or are now planned?

No. 2 above was a 3-year, three-phase undertaking using State funds. The project will be completed next year.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

None.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

None.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

The State library has provided financial support for two New Mexicans to attend the followup meetings.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No__X__; If so, when was it organized?_____.

State or territory: North Dakota.
Date: November 5, 1981.
WHCLIST delegate: Gloria Dohman, professional delegate.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

In general it raised the level of public awareness about libraries and library services and we now have a broader base of support. Specifically, the State legislature passed, for the first time, and funded, a bill providing for State aid to public libraries. This bill was renewed and refunded for 2 more years at the last legislative session. the need for continuing education programs was seen and both the State library and the North Dakota Library Associationhas has sponsored continuing education courses. Several new friends groups have been formed. Cooperative ventures in networking have resulted.

2. What implementation actions have taken place within the last 12 months or are now planned?

Continuing education courses are continuously being offered. Statewide library card is being considered. Planning for technology on a cooperative basis, statewide, possibly including a tri-state area, specifically dealing with an on-line catalog could result. Library cooperation on a regional basis within North Dakota is being studied.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

None that I am aware of.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

State aid for public libraries.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

There has been no financial support since the Minneapolis meeting.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?__1973.

I think it is difficult to attribute everything that is happening in our State concerning libraries as a direct result of the Governor's conference or the White House conference. they both surely brought to light many library issues through the resolutions and made many people aware of libraries. However, people who were not involved in the conferences are now actively supporting libraries and library legislation; they may not feel that what is happening is a direct result of the White House conference.

Also, a suggestion for future conferences, if there are any. Most of the resoultions called for funding in order to be carried out. If any benefits or accomplishments are to be expected from the White House conferences, some provision should be made to get some of these projects started, at the very minimum.

State or territory: Oregon.
Date: July 8, 1981.
WHCLIST delegate: Marica Lowell; Oregon State Library.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Passage of State aid to public libraries; beginning phase of regional library development: approval of standards for library service.

2. What implementation actions have taken place within the last 12 months or are now planned?

Regional library development; development of a computer (OCLC) network of Oregon libraries.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

Regional development plan. Automation plan.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

See No. 1.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

No support.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No__X__; If so, when was it organized?_____.

State or territory: Pennsylvania.
Date: August 31, 1981.
WHCLIST delegate: Robert Case; Jule Shipman.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

Legislation passed: (1) new formula for distribution of State aid, removal of ceiling. (2) $2 million added to proposed State budget for libraries passed by legislature, signed by Governor—includes thirty-three and one-third percent increase and State aid.

Organization of PCBL statewide friends of libraries group. New and stronger local friends groups, actively working to help libraries. Workshops (many) on subjects covered by WHCLIST resolutions.

2. What implementation actions have taken place within the last 12 months or are now planned?

Library legislative day, March 30, 1981, sponsored by PLA and PCBL. Workshops at PCBL annual meeting, October 1980, awards. PSL workshops, et cetera. PCBL further development and growth. Implementation of continuing education study/report, three area pilot projects of continuing education councils for media, information and library personnel—funds for planning and implementation. Statewide PR project to promote libraries in Pennsylvania. Plans now underway for the development of a comprehensive plan of library services for all types of libraries in Pennsylvania.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

Continuing education for L/M/1 personnel. Options—clearinghouse newsletter on continuing education programs for library, media, and information science personnel.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

See No. 1, plus bill for interlibrary cooperation now in legislation.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

Moral support (strong) and financial aid from Governor's conference funds. News items in PLA bulletin, PSL forum, PSLA news notes. Representatives of PSL and professional organizations attend PCBL meetings.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?_____.

December 1978, as a result of Governor's conference on LIS.

State or territory: South Carolina.
Date: July 16, 1981.
WHCLIST delegate: Catherine Lewis; Samuel Hudson.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

(A) S.C. task force on library automation and networking established by State library to study needs and recommend action.

(B) Ongoing campaign for increase in State aid for public libraries resulted in increase from 50 cents per capita to 75 cents per capita in 1981 and change from 1970 census to 1980 census as base in fiscal year 1982, for a dollar increase from $1,295,258 in 1979 to $2,339,406 in 1982. $1 per capita has been requested for fiscal year 1983.

2. What implementation actions have taken place within the last 12 months or are now planned?

(A) State library has employed consultants who are currently conducting a feasibility study for a statewide bibliographic network to serve all types of libraries. Their recommendations are due in September 1981. These will be the basis for an extensive promotional campaign to secure professional, public, and governmental support.

(B) The Commission for the Blind has transferred responsibility for machine lending activities to the State library for the blind and physically handicapped, thus consolidating services and eliminating confusion and duplication.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

The task force issued a report on the library automation survey committee, summarizing a needs assessment and identifying potential functions of a State network.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

(A) No legislation resulting from WHC.

(B) Legislation authorizing and funding a State network will be sought in 1982 or 1983, depending upon progress in planning and preparation.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

The State library has funded all travel and activities to this point but may have to reduce support if LSCA is reduced.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes_____; No__X__; If so, when was it organized?_____.

State or territory: West Virginia.
Date: July 13, 1981.
WHCLIST delegate: Frederic J. Glazer; Lewis N. McManus.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

The Governor's state of the State message included a request for $3 million in State funds to assist in construction of 20 new libraries and delivery of a promise made in his opening address to the pre-White House conference seeking $3 per capita State grant-in-aid funds.

The legislature concurred by approving a 66-percent increase in per capita grant-in-aid funding.

2. What implementation actions have taken place within the last 12 months or are now planned?

Statewide information and referral kit produced and distributed to all public libraries.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

Long-range 5-year plan for statewide automation activities has been produced and published.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

See No. 1.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

Wholeheartedly! With necessary funding and overflow of enthusiasm.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?_____.

Nine months ago.

State or territory: Wisconsin.
Date: November 2, 1981.
WHCLIST delegate: John J. Jax.

1. What has happened as a result of your State's pre-White House conference and the White House conference? (Include specific accomplishment in legislation, appropriation, services, et cetera.)

All resolutions have been referred to appropriate agencies within the State. A citizens advocacy group has met twice.

2. What implementation actions have taken place within the last 12 months or are now planned?

See No. 4.

3. What statewide plans, surveys, or needs assessments or similar publications have appeared in your State within the last 12 months?

None.

4. What legislation has been enacted or is under consideration as a result of the White House conference?

Staffing for school libraries within Wisconsin as a new State law.

5. How do your State library and/or statewide associations support your activity as a WHCLIST member?

There is no fiscal support whatsoever. This has prevented the Wisconsin WHCLIST delegates from attending meetings.

6. Does your State now have a statewide Friends of Libraries Association or other statewide citizens library advisory group?

Yes__X__; No_____; If so, when was it organized?_____.

Several years ago.

White House Conference on Library and Information Services Followup Inquiry

State/Territory Agency Responses, September 1980

White House Conference on Library and Information Services Followup Questionnaire

Name of State: Alaska.

1. What has been achieved as a result of your State or territorial pre-White House conference? (For example: increased State aid, new library legislation passed or pending, a statewide friends group established, et cetera.)

Improved library materials grant increased interest in institutional services. This is an ongoing process and will take some time.

2. What has been achieved in your State or territory as a result of the national White House conference?

Better interest in national library legislation.

3. What implementation activities have taken place or are planned in your State or territory?

No response.

4. Has there been a followup meeting of the delegates to the national or the State or territorial conference? If so, summarize briefly. If not, is one planned?

Not specific meeting. One delegate and one alternate have been appointed to the Governor's advisory council on libraries.

5. Have any publications been issued in your State (reports, indexes of resolutions, et cetera) based on the White House conference? Please list by title, with name and address of agency or individual to be contacted to obtain a copy.

No response.

6. What agencies or organizations in your State have been useful assisting in implementation? Please list names and addresses.

Alaska Library Association, c/o E. E. Rasmuson Library, University of Alaska, Fairbanks, Alaska 99701.

Governor's Advisory Council on Libraries, c/o Alaska State Lilbrary, Pouch G, Juneau, Alaska 99811.

Various members of the legislature and executive branches of State government.

Name of State: Connecticut.

1. What has been achieved as a result of your State or territorial pre-White House conference? (For example: increased State aid, new library legislation passed or pending, a statewide friends group established, et cetera.)

A statewide trends group is in the process of being organized and will hold their first meeting in October 1980. Six bills based on resolutions passed at the Governor's conference were introduced to the general assembly in 1979 but all, as expected, failed to pass.

2. What has been achieved in your State or territory as a result of the national White House conference?

Relatively little—Connecticut's delegates to the WHC seemed unwilling to accept much responsibility for followup activities after the WHC.

3. What implementation activities have taken place or are planned in your State or territory?

None at present.

4. Has there been a followup meeting of the delegates to the national or the State or territorial conference? If so, summarize briefly. If not, is one planned?

Delegates to the WHC met in early 1980 to discuss followup activities; however, no specific actions have been initiated. Several delegates to the State conference met throughout 1979 to discuss the formation of a group of "Citizens for Libraries" but most of that activity has been suspended.

5. Have any publications been issued in your State (reports, indexes of resolutions, et cetera) based on the White House conference? Please list by title, with name and address of agency or individual to be contacted to obtain a copy.

No.

6. What agencies or organizations in your State have been useful assisting in implementation? Please list names and addresses.

Does not apply.

Name of State: Hawaii.

1. What has been achieved as a result of your State or territorial pre-White House conference? (For example: increased State aid, new library legislation passed or pending, a statewide friends group established, et cetera.)

No impact felt; too early to assess.

2. What has been achieved in your State or territory as a result of the national White House conference?

More awareness of public libraries. A national White House conference delegate's interest resulted in an appointment to a library advisory commission.

3. What implementation activities have taken place or are planned in your State or territory?

Plan to refine short- and long-range plans based on results of the conferences. It is our hope to have a Pacific Basin meeting to discuss and plan on sharing of resources.

4. Has there been a followup meeting of the delegates to the national or the State or territorial conference? If so, summarize briefly. If not, is one planned?

A report to the delegates was conducted January 22–31, 1980.

5. Have any publications been issued in your State (reports, indexes of resolutions, et cetera) based on the White House conference? Please list by title, with name and address of agency or individual to be contacted to obtain a copy.

No.

6. What agencies or organizations in your State have been useful assisting in implementation? Please list names and addresses.

No response.

Name of State: West Virginia.

1. What has been achieved as a result of your State or territorial pre-White House conference? (For example: increased State aid, new library legislation passed or pending, a statewide friends group established, et cetera.)

Statewide friends group chartered as a section of the West Virginia Library Association; increased awareness of the library program; executive committed to increased grants-in-aid; platform planks endorsing library support included in 1980 planks of State Democrat and Republican party platforms; resolutions included in long-range 5-year plan.

2. What has been achieved in your State or territory as a result of the national White House conference?

Statewide participation in "Be With a Book for a Day"; Governor's proclamation for same.

3. What implementation activities have taken place or are planned in your State or territory?

Whatever it takes.

Name of State: Wisconsin.

1. What has been achieved as a result of your State or territorial pre-White House conference? (For example: increased State aid, new library legislation passed or pending, a statewide friends group established, et cetera.)

State library legislation effecting State library organization and functions; State aid for systems; State institutional libraries; Indian tribal and community libraries.

2. What has been achieved in your State or territory as a result of the national White House conference?

Nothing directly except librarian and citizen awareness of some issues.

3. What implementation activities have taken place or are planned in your State or territory?

Letters to Government officials, library agencies and organizations, and others informing them of resolutions and asking them for followup reports.

4. Has there been a followup meeting of the delegates to the national or the State or territorial conference? If so, summarize briefly. If not, is one planned?

Four followup meetings of national delegates, plus invitational meeting to which many Governor's conference delegates came to discuss followup activities. Advised on LSCA-funded followup project.

5. Have any publications been issued in your State (reports, indexes of resolutions, et cetera) based on the White House conference? Please list by title, with name and address of agency or individual to be contacted to obtain a copy.

"Is There Life After the White House Conference," article, "Wisconsin Library Bulletin," July–August 1980; multifold flyer—"The People Spoke Up," with very few copies remaining from Wisconsin Division for Library Services, 125 S. Webster, Madison, Wis. 53782.

6. What agencies or organizations in your State have been useful assisting in implementation? Please list names and addresses.

Wisconsin Library Association and its division, 1805 University Avenue, Madison, Wis. 53705.

Wisconsin Division for Library Services (address above).

National Center for Education Statistics

QUESTION: I understand that you are continuing to work with the National Center for Education Statistics. Please describe some of your work with them and why you think the area of statistics is a priority.

ANSWER: For the last three fiscal years, the Commission has worked with the National Center for Education Statistics of the U.S. Department of Education, to identify the statistics needed by the library and information community, eliminate unnecessary duplication of effort, provide more timely data and improve the cost effectiveness of the entire statistics gathering and disseminating process. We are continuing to work with them, in part because of the need for base line data to anticipate and follow changes in our information-based economy over the next decade. Part of the Commission's legislative mandate is to analyze the library and informational needs of the Nation. Without solid statistical data for the library and information services nationwide, we can not be fully responsive to the mandate Congress gave us in the public interest. We are working with NCES to try to assure that this base line data is provided and disseminated in a timely manner.

The Commission has instituted and coordinated semiannual update meetings which have been attended by NCES officials, other Department of Education officials, representatives of the major library/information associations, and NCLIS staff. The Commission has urged the Chief Officers of State Library Agencies (COSLA) to provide data needed for the NCES Public Library Survey and has reminded them of the importance and potential use of this information. The Commission is also working with the Bureau of the Census to foster the inclusion of library related questions in a Current Population Survey.

Questions Submitted by Senator William Proxmire

UNESCO/PGI

QUESTION: Your justifications refer to your "responsibility to advise the Department of State with respect to the U.S. National Committee for the UNESCO General Committee Information Program" and state that the Commission "will continue to serve as the U.S. Secretariat for UNESCO's General Information Program." How will this work be affected if the United States follows through on its announced decision to withdraw from UNESCO?

ANSWER: If the U.S. follows through on its stated intention to withdraw from UNESCO, the Commission's work in this area will be intensified rather than reduced. The State Department is seeking alternative mechanisms to accomplish what the U.S. is able to accomplish now through its participation in UNESCO, and this will involve extensive planning and restructuring of programs. Because the Commission is responsible for advising on U.S. participation in the library/information/archives sector of UNESCO programs we will need to provide extensive input to the State Department on all aspects of U.S. participation--past, future, and potential--in this sector. In order to do this, NCLIS will have to gather and transmit the ideas and responses of the U.S. library information and archival communities as well as colleagues in other countries during 1984. The re-

sulting alternative structure will undoubtedly be much more complex than the single program we now coordinate, and it will require increased time and attention in its initial stages.

The Commission's role as Secretariat for the U.S. National Committee for the UNESCO PGI does not require any direct expenditure from the NCLIS budget, other than for a very small amount of staff time, primarily the twenty-plus organizations that make up the U.S. National Committee contribute their valuable time and expertise to this effort. However, it is quite possible that an alternative structure for accomplishing the objectives of the the PGI program might involve additional expenditures, such as dues to international nongovernmental organizations and additional time of professional staff.

Federal Funding

QUESTION: How would you respond to the argument that in view of the fact outside support will increase substantially next year, we should be able to reduce your Federal funding somewhat?

ANSWER: As Dr. Bearman described earlier, most of the outside support the Commission receives is in the form of services, rather than dollars. The services we receive from staff loaned to us from both public and private sector organizations and from consultants from the library and information field support specific projects. These people, no matter how talented, should not be called upon to provide the independent, objective advice needed by the President and the Congress to make decisions on national policy concerning the areas of libraries and information. That is the duty and responsibility of federal employees who have been hired by NCLIS, an independent agency.

One of the reasons I think NCLIS has been able to survive on its tiny yearly budgets is that it has been able to increase its productivity tremendously because of the support it receives from other agencies and organizations. I do not think we could survive with a reduced budget for we would not have the resources to carry out new programs that are attractive to investments from outside the agency.

We are a very small federal agency that is trying to serve a very large national need. It is to the credit of the Legislative and Executive branches that created NCLIS that the work we do is considered worthy of support by agencies within the government and without. Because of our successes, we consider ourselves worthy of your complete support.

Printing Costs

QUESTION: I note that you overestimated your 1983 printing costs last year. Your original estimate was $15,000 and your final figure is $4,000. Why was your estimate so wide of the mark?

ANSWER: Prior to the beginning of FY 1983, we anticipated publishing three task force reports and our annual report. Because the work of two taskforces was not completed until late in FY 83 publication of two of the task force reports had to be postponed until the beginning of FY 1984. The third task force report will be published by the Special Libraries Association for us.

Rent Increase

QUESTION: Your justifications indicate that the General Services Administration is going to increase your rent by 64.7 percent next year. Can you give us any idea as to why you are facing an increase of this magnitude?

ANSWER: It is my understanding that the General Services Administration has compared the rent it charges federal agencies with the rental rates for privately owned space, and has decided to raise its assessment to a comparable level. We were not consulted about our huge rent increase. In fact, it was not until a few days ago that I was alerted to yet another increase in our estimated rent for FY 1985. It is now set at more than $58,000 which is a 71% percent increase.

QUESTION: The appendix to the President's budget indicates that your rental costs were $9,000 in fiscal year 1983 although at this time last year you estimated that they would be $31,000. Can you tell us why those costs were so much less than you originally anticipated?

ANSWER: The General Services Administration sends our rent bill directly to the Department of Education which debits our account accordingly. Apparently the record of our paying only $9,000 in rent for FY 1983 is an accounting error on the part of ED which we intend to rectify. In order to avoid a repetition of this situation, we have begun negotiations with GSA and ED to receive direct billing for rent which we will then approve for payment. ED has recently developed a computerized accounting system that will allow us to obligate our expenditures directly instead of going through their accounting office. I expect we will be able to clean up any problems in our accounts in short order, and not generate any new ones.

QUESTION: Between fiscal years 1983 and 1985 your standard level user charges -- your rental costs -- will jump from $9,000 to $56,000, an increase of 623 percent. What's the reason for this mammoth acceleration?

ANSWER: The $9,000 rent charge for FY 1983 is clearly in error. We originally budgeted $36,000 for this line item. When we clear up our accounts within the next quarter with ED and GSA I am sure the final figure will be closer to the higher dollar figure. Because we rented private space for almost half of FY 1983 before moving to government owned space, we expected a decrease in our FY 1984 rent. In fact, GSA has raised the rental rates for both FY 1984 and 1985. Our rental costs seem to be totally out of our control. I believe that assistance will be needed to meet this unanticipated rent increase so we will not have to cut back on important program areas.

IBM Intern Program

QUESTION: Your justifications mention "your arrangement with IBM under which IBM provides library and information specialists" and also mention material prepared by "IBM interns". Could you elaborate on the assistance you are receiving from IBM including the number of IBM personnel assigned to work with you in a typical year and the extent to which you reimburse IBM for their work? Do you have a similar relationship with any other corporations?

ANSWER: We did not receive funds from the IBM Thomas J. Watson Research Center, but we did receive the loan of two research librarians, one each for six months. IBM paid their salaries, benefits, and half of their travel expenses. They worked, under the supervision of our Executive Director, on our study of the information environment of 1985-1990. We are actively looking for additional resources, primarily through the loan of personnel to work on specific projects, and the donation of equipment to improve the management of our information resources. We are cautiously optimistic that we will have two people loaned to us in calendar year 1984, one from the for-profit sector and one from the not-for-profit sector. There is no direct reimbursement to IBM.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until tomorrow morning at 9 a.m.

[Whereupon at 10 a.m., Tuesday, February 28, the subcommittee was recessed, to reconvene at 9 a.m., Wednesday, February 29.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, FEBRUARY 29, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

RAILROAD RETIREMENT BOARD

STATEMENT OF ROBERT A. GIELOW, CHAIRMAN

ACCOMPANIED BY:
CHARLES CHAMBERLAIN, LABOR MEMBER
EARL OLIVER, MANAGEMENT MEMBER

PREPARED STATEMENTS

Senator WEICKER. Today we will continue our fiscal year 1985 budget hearings. We have several related agencies: the Railroad Retirement Board, the National Labor Relations Board, the National Mediation Board, the Occupational Safety and Health Review Commission, and the Federal Mediation and Conciliation Service.

First we will hear the budget request of the Railroad Retirement Board by Chairman Robert A. Gielow who is accompanied this morning by Board Members Charles Chamberlain and Earl Oliver.

Mr. Chairman, we welcome you and your colleagues here this morning. I understand that you have several statements.

I suggest to you and those that follow you that all statements in their entirety be included in the record and that you summarize those prepared statements.

[The statements follow:]

STATEMENT OF ROBERT A. GIELOW

Mr. Chairman and Members of the Committee, before discussing the specifics of our 1985 budget request, I would like to furnish some general information on the Railroad Retirement Board.

Programs Administered by the Railroad Retirement Board

The Board is an independent agency in the executive branch; its primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the Board has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage.

Because of its experience with railroad benefit plans, the Board has been given, in recent years, administrative responsibility for certain employee protection measures provided by other Federal railroad legislation, such as the Regional Rail Reorganization Act, the Northeast Rail Service Act, the Milwaukee Railroad Restructuring Act, and the Rock Island Railroad Transition and Employee Assistance Act. Appropriations for program benefits under those Acts are sought by the Department of Transportation.

Structure of the Board

The Board is administered by three members appointed by the President, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employee organizations, and another is appointed upon recommendation of railroad employers. The third member, who is the Chairman, is independent of rail labor and management and is appointed to represent the public interest. The terms of office are five years, and they are scheduled to expire in different years.

Sources of Revenue

During the 1983 fiscal year, retirement-survivor benefits of about $6 billion were paid to almost one million annuitants. Unemployment-sickness benefits paid to over 220,000 beneficiaries were almost $435 million.

The primary source of revenue for retirement-survivor benefits is payroll taxes on railroad employers and employees. Other sources of revenue currently include a financial interchange with the social security trust funds and interest on investments. For certain dual benefits which are being phased out, the Congress appropriated funds from the general treasury as well as loans related to past shortfalls.

The source of revenue for unemployment and sickness benefits is railroad employers.

Appropriations in 1985

The specific appropriation requests in 1985 are as follows:

Vested Dual Benefits

The request for the vested dual benefit appropriation, authorized by the Railroad Retirement Act of 1974 to reimburse the Railroad Retirement Account for the phaseout costs of dual railroad retirement-social security benefits, is $405 million. This amount represents full funding of these benefits so that reductions in individual benefit payments will not be required during the fiscal year.

Federal Payment to the Rail Industry Pension Fund

This appropriation request is for $15 million to transfer to the account railroad retirement funds left in the Treasury for uncashed checks. Provision for this was enacted in the Railroad Retirement Solvency Act of 1983; a similar provision was recently put into the Social Security Act.

Limitation on Railroad Unemployment Insurance Administration Fund

The Administration's request for this limitation is $15,378,000, which includes $1,178,000 to be transferred from the separate unemployment benefits Account. This amount will support 336 full-time equivalent employees and the associated expenses.

Limitation on Administration (Railroad Retirement)

The Administration's request for this limitation is $55,422,000, which will support 1,162 full-time equivalent employees and the associated expenses.

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Recent Developments at the Board

The enactment of the Railroad Retirement Solvency Act in August of 1983 has stabilized railroad retirement financing. That legislation also established a committee to review all aspects of our railroad unemployment and sickness insurance program. The committee is scheduled to report not later than April 1, 1984.

We have made considerable progress on our highest priority effort-automation. As part of our long-range automation plan, we have released a request for proposals to complete the detailed design and installation of a new retirement claims processing system. The system will automate the processing and maintenance of retirement, survivor, disability and medicare claims. The estimated benefits of building this new system far outweigh the costs of building it. This budget contains additional funds for equipment and contractual assistance to continue this effort.

We are also making preparations to install data terminals in our busiest field offices. This will speed the handling of inquiries (from railroad workers and beneficiaries) between our field offices and headquarters. The terminals will provide our field personnel with direct on-line access to data on the status of individual cases.

We have also competitively let a contract for a new administrative management information system. Work is actively underway toward installing this new system, and plans are for it to be operational in fiscal year 1985.

Compliance with the Federal Managers' Financial Integrity Act of 1982 is another high priority area for us. We have completed vulnerability assessments of all of our 128 systems of internal controls, and we have put in place action plans to deal aggressively with material weaknesses identified in the course of these reviews.

Mr. Chairman, this completes my prepared remarks. Mr. Chamberlain will speak next and then Mr. Oliver.

STATEMENT OF EARL OLIVER

In compliance with the requirements of Public Law 98-76, the Board submitted to the Congress its budget request for FY 1985 at the same time--August 30, 1983--it sent its request to OMB. The Board requested for administration of the Railroad

Retirement Act and the Railroad Unemployment Insurance Act ceilings of $89 million and 1,874 full-time equivalent (FTE) employees. It said that under no circumstances should the current staffing ceiling (1,578 FTE) be reduced.

The budget calls for 1,498 employees (FTE) and $72 million.

The Congress twice has prevented reduction of the Board's ceiling below 1,578 FTE's. It concluded in 1982 further cuts should not be made and incorporated for 1983 and 1984 language to prevent them. The appropriations bill passed by the Congress and signed by the President last October provided from the railroad retirement account funds for administration of the Railroad Retirement Act, with a proviso

> " . . . That such portion of the foregoing amount as may be necessary shall be available for the payment of personnel compensation and benefits for not less than 1,162 full-time-equivalent employees"

and from the railroad unemployment insurance account funds for administration of the Railroad Unemployment Insurance Act, with a proviso

> " . . . That such portion of the foregoing amount as may be necessary shall be available for the payment of personnel compensation and benefits for not less than 416 full-time-equivalent employees."

The Congress undoubtedly intended the Board to have a total of 1,578 FTE employees for administration of the Railroad Retirement and Unemployment Insurance Acts. Unfortunately, the Board has been assigned substantial responsibilities in addition to administration of the two acts without provision for staff to carry out the added responsibilities. The result is that the Board is using at least 40 of the 416 RUIA employees to carry out its functions under Title VII of the Northeast Rail Service Act, the Milwaukee Railroad Restructuring Act, and the Rock Island Transition Act.

The Congress and the President have authorized funds--but not staff--for administration of the non-RRA programs: the Board is having to use unemployment and sickness insurance staff to administer these programs.

The Board submitted on October 13, 1983, to OMB and the Congress a request for authorization of 32.8 employees to carry out its functions under those acts, but I find in the budget no reflection of this request.

* * *

A limitation on expenditures and staff is just that--a limitation. The Board is not required to spend the amounts or employ the staff that you authorize. Certainly, as representative of the chief taxpayer, I would be quick to move for elimination of unnecessary administrative expense and unnecessary staff. My fellow Board members would as well.

The members come from private industry. All three had major responsibilities that included efficient and effective administration of large organizations. One was senior vice president of the second largest insurance broker in America. Another

was international president of one union and chairman of the association made up of all rail labor unions. A third was senior vice president of a major railroad. My point is that all three members are responsible executives. They will not, if authorized, staff up to the higher employment levels I am advocating, nor spend the additional dollars I am arguing for, unless they are convinced, at the time, that the expenditures are cost-beneficial. While I am convinced they will be and therefore am pressing you to make available these additional resources, a final Board review will be undertaken on each project or area of staffing before the agency goes ahead.

When you are dealing with $7 billion--$7 thousand million--, the $17 million difference between what the Board asked and what the budget proposes would appear to shrink into insignificance. It is, in fact, quite significant, for the limitation proposed in the budget would continue to prevent the paying out of billions of dollars accurately and timely with a minimum of fraud, error, and abuse, whereas what the Board asked will give it a fighting chance to administer the funds effectively and efficiently. Assigning the Board the authority to use as much of the resources requested as it deems necessary to do a good job of disbursing $7 billion is preferable to imposing a limitation that is sure to produce a poor job.

* * *

The committee established by last year's Railroad Retirement Solvency Act to study all aspects of RUI is to make its report to the Congress April 1. Should it recommend railroad unemployment insurance be assigned to the states and should the Congress adopt its recommendation, assuredly the Board will not need 1,874 employees after the RUI activities disappear, and it will of course cut the number. On the other hand, if the study committee recommends continuation of RUI separately from the states and the Congress approves, I suspect the committee will recommend, among other things, a drastic tightening up of the Board's U&SI claims-handling procedures so that the agency no longer will accept the existence of a claim as proof of its validity. If the Congress requires the agency to do those things that are necessary to make sure an applicant is eligible and available, is not working, and is trying to find work instead of simply collecting benefits, the new procedure will require a great many more employees than the agency has presently.

In view of the Committee's expressed desire, conveyed through staff, that witnesses limit statements to five or six pages, I shall offer only two pieces of evidence.

1. When the Congress authorized 416 employees for unemployment and sickness insurance work in FY 1983, the projection of U&SI claims for that year, as shown in the 1983 budget, was one million claims. In fact, the Board received 2.5 million claims. The result: a virtual halt in U&SI fraud- and abuse-prevention activities.

To restore the employees-to-claims ratio to the level anticipated when the Congress authorized 416 employees for U&SI, and assuming the 1985 U&SI claims projection--almost 1.5 million--shown in the budget is on target (past projections have been consistently lower than actuals), the Board will require a 50 per cent increase in U&SI staffing--or 209 employees above the 416 level.

2. We are paying $½ billion a year in benefits to persons adjudged disabled. We have a small staff of examiners and thousands of decisions a year. Latest reports are that an examiner spends, on average, 47 minutes reading the file, ascertaining that it contains all evidence needed, digesting and weighing the evidence, reaching a decision, and providing a rationale. A second examiner spends 20 minutes reviewing the first examiner's decision. They spend a total of 67 minutes reaching a decision--9 out of 10 decisions result in an award--to award lifetime benefits--thousands, even hundreds of thousands, of dollars.

The examiner must gather together the medical and vocational evidence, discuss the vocational evidence, if necessary, with persons knowledgeable about the individual occupations, discuss the medical evidence, if necessary, with our physician consultants, make a judgment, and if he/she has time, provide a rationale. In too many cases he/she does not have time to get good information on the claimant's occupation, to assemble all of the medical evidence he/she should have, and to provide a written rationale for the decision to award or deny.

The General Accounting Office audited our procedures and a sampling of decisions and testified about them a year and a half ago to a Congressional subcommittee. The witness, associate director of GAO's human resources division, noted, among other things, that less than half of the T&P awards GAO reviewed were "acceptable determinations" and that one-third of the unacceptable determinations were unacceptable, according to GAO, because the applicants were "not disabled." (The remainder were unacceptable because of insufficient evidence.) He noted also that the Board lacks a follow-up program, such as Social Security has, and a quality control system. Projecting from his sample, the associate director estimated the total questionable determinations for the year for T&P alone (most awards are occupational) ranged from $10 million to $15 million. Of course, the adverse effect on the fund is many times that, for an erroneous award, once made, costs the fund money year after year.

We need far greater resources to assure that we pay benefits properly.

* * *

As both the Congress and a former President have observed, RRB is unique among federal agencies. It exists to serve a single industry and its employees, active and retired, and their families. It is administered by a board of three persons,

two from the railroad industry. Its administrative costs are borne by the funds administered and not by the general treasury. In view of the nature of the agency, the nature of the Board, the nature of the funds, the source of funding for their administration, and the responsibilities and experience the members had in their former careers, I urge you to grant them the authority they requested to do a succes.ful job of disbursing efficiently and effectively the $7 billion a year in their charge.

STATEMENT OF CHARLES J. CHAMBERLAIN

Mr. Chairman and Members of the Committee, as Labor Member of the Railroad Retirement Board, I would like to make a few personal observations regarding our agency's budget submission for fiscal year 1985. During this past year, Congress, together with Railroad Labor and Management, addressed the serious financing problems that threatened our agency's ability to pay full retirement benefits. Through the collective efforts of all participating parties, it appears that the Railroad Retirement System is back on track towards a financially sound future. The changes made in our laws to accomplish this goal obviously involved certain sacrifices on the part of railroad employers, employees, retirees, and the Federal Government.

Throughout its history, the Railroad Retirement Board has maintained a good record of providing service to our constituents at minimal administrative costs to our trust fund. We hope to continue this record through new initiatives in automated cash management and claims processing operations. While there may be other program concerns we would like to undertake, we too must be willing to make certain manageable sacrifices in order to hold the line on administrative cost during this critical period in our financial history, as well as contribute to the reduction of the overall record deficit now facing our Nation.

We must recognize, however, that our plans toward furthering the reduction of administrative costs through operational improvements, will not occur overnight. These initiatives will require a certain amount of resource commitment to achieve this goal. Also, Congress has given our agency added accounting and tax reporting responsibilities which will necessitate a good deal of work during the next few years. Taking all things into consideration, I believe our agency's requested limitation on Administration at the 1578 FTE level is a responsible

package. Although it may not provide all the operational enhancements we would like to see, it provides us with a sound basis for continuing a good record of service and allows us to look to the future needs of our agency.

I would like to personally thank this Committee for their past support and look forward to working with you towards making the Railroad Retirement Board a model of efficiency and service in government.

Biography of Robert A. Gielow

Prior to becoming Chairman of the Railroad Retirement Board (3-8-83), Mr. Gielow was a Senior Vice President, member of Board of Directors and member of the Executive Committee of Alexander and Alexander Services, Inc. He has held various positions at Alexander and Alexander, Inc., where he was employed from 1965 through 1982. These consisted of Director, Risk Analysis and Management Group, Director, Midwest Region, Alexander and Alexander, Inc., Managing Vice President, Chicago Office, Alexander and Alexander, Inc., Account Executive/Salesman, Alexander and Alexander, Inc., Chicago Office.

Mr. Gielow was born August 18, 1919, in Chicago, Illinois. He served in the U.S. Navy from 1940 through 1945. He received a Bachelor's Degree from Carleton College in Northfield, Minnesota.

Mr. Gielow and his wife, Nancy, reside in Glencoe, Illinois. They have three children, Stephen, Marion, and John.

Biography of Charles J. Chamberlain

Mr. Chamberlain was born August 7, 1921 in Ashton, Illinois. He began his railroad career as an assistant signalman for the Chicago and Northwestern Railroad in 1938. He later became active in the railroad labor movement and held numerous offices in the Brotherhood of Railroad Signalmen from 1941 before becoming President of the Brotherhood in 1967. Mr. Chamberlain was elected as Chairman of the Railway Labor Executives' Association in 1970. The Railway Labor Executives' Association, composed of railroad union leaders, is a coordinating and policy-making body on legislative and other matters affecting railroad workers. Mr. Chamberlain also served on the Railway Industry Labor-Management Committee in 1972, the Railroad Safety Research Board in 1975, and the High Speed Ground Transportation Advisory Committee in 1973-1975.

On August 25, 1977, Mr. Chamberlain was appointed as Labor Member of the U.S. Railroad Retirement Board by President Carter on the unanimous recommendation of the Railway Labor Executives' Association to fill an unexpired term ending August 28, 1979. President Carter later reappointed Mr. Chamberlain for a five year term beginning August 29, 1979. Mr. Chamberlain's reappointment was confirmed by the Senate on July 26, 1979.

Mr. Chamberlain and his wife Joyce reside in Crystal Lake, Illinois. They have two sons, Richard and Charles, and five grandchildren.

Biography of Earl Oliver

Member of the three-member Railroad Retirement Board which administers the Railroad Retirement and Railroad Unemployment Insurance Acts. On recommendation of railroad management to the Presidert, appointed to an unexpired term in August, 1977, and to a full five-year term in August, 1978.

Formerly senior vice president-personnel and administration, Illinois Central Gulf, with jurisdiction over personnel, labor relations, labor law, safety, medical, materials management, real estate, and corporate services. At time of retirement from ICG, was senior member of National Carriers Conference Committee and staff person for joint Labor-Management Committee consisting of railroad and union presidents. Spent most of railroad career in labor relations work for Illinois Central. Prior to employment by IC, spent seven years in operating department of Chicago and NorthWestern.

Born in Monticello, Kentucky. Bachelor's degree from Oklahoma State University and two years' graduate work at OSU and University of Minnesota.

RAILROAD RETIREMENT BOARD
($000)

Account	1983 Actual	1984 Request	1984 Appropriation	1985 Estimate
Dual Benefits Payments Account	430,000	350,000	420,000	405,000
Supplemental Rail Unemployment Insurance	125,750	0	0	0
Payments to the Railroad Retirement Account	0	0	0	15,000
Milwaukee Railroad Restructuring, Administration	250	0	0	0

Limitation on Railroad Unemployment Insurance Administration Fund

Activities:	$	Pos.	$	Pos.	$	Pos.	$	Pos.
Maintenance of rail earnings accounts	545	16	631	15	643	16	614	16
Processing UI claims	7,433 1/	214	7,732	190	8,683 2/	214	7,530	203
Processing SI claims	4,774	137	5,522	135	5,630	138	5,379	146
Claimant Placement	274	8	316	8	321	8	309	9
Administration	1,363	39	1,577	38	1,400	34	1,338	36
OIG	0	0	0	0	208	4	208	4
Total	14,389 1/	414	15,778	386	16,885 2/	414	15,378	414

Limitation on Adminstration (RR)

Activities:	$	Pos.	$	Pos.	$	Pos.	$	Pos.
Direct Program:								
Maintenance of rail earnings accounts	896	22	1,110	22	1,112	22	1,099	22
Processing applications	15,225	372	18,805	376	18,830	373	18,672	375
Maintenance of the rolls	23,190	567	28,234	563	28,273	561	28,015	563
Medicare	2,239	55	2,884	55	2,888	58	2,746	55
Administration	3,588	88	4,436	88	3,705	74	3,652	73
OIG	0	0	0	0	738	16	738	16
Statutory reserve	500	-	500	-	500	-	500	-
Change in unobligated balance	2,147	-	0	-	0	-	0	-
Total	47,785	1,104	55,969	1,104	56,046	1,104	55,422	1,104
Reimbursable program:	1,361	55	1,200	55	1,200	55	1,200	55

1/ 1983 includes transfer in of $750,000 from Supplemental Rail Unemployment Insurance Account
2/ 1984 includes transfer in of $803,000 from Supplemental Rail Unemployment Insurance Account

SUMMARY STATEMENT

Senator WEICKER. Welcome and proceed.

Mr. GIELOW. Thank you, Mr. Chairman.

I would like to point out a few highlights in the prepared statement, which, as you say, is a matter of the record.

It is just 1 year since I was confirmed by the Senate to become Chairman of the Railroad Retirement Board, and I could not let that year go past without commenting briefly upon what I feel is the uniqueness of the Board, where we are privileged, I believe, to have outstanding representation from the rail labor unions in the form of Mr. Chamberlain and rail management/labor relations in the form of Mr. Oliver.

Both of them have had distinguished careers in their particular professions, and having this kind of representation has allowed strong advocacy on their part of the constituencies that they represent, and at the same time, because of the breadth of their background we have been able to reach consensus on many sticky problems.

I think that in itself is a uniqueness in labor and management relationships that sometimes is not recognized or perhaps overlooked.

With that, I would like to say something about the problems that I foresee related to our budget and our budget requests.

We are in the midst of probably the most major automation program that the Board has undertaken. Our systems are quite antiquated, going back 12 years since any major work has been done.

We are in the process of installing an administrative management information system which will be in place this year. It will be a very effective way of helping us with our own management and ultimately be able to reduce our personnel.

We are also in the midst of setting up terminals in our field offices, 38 of them, which will greatly speed up our processing. These are things which are taking the time of people, our existing staff as well as our outside contractors.

Additionally, we have just put out a request for proposals for an automated retirement claims program which will be probably a 5-year multimillion dollar contract, which will require really hundreds of full-time man-hours over the annual development of those systems.

The Congress last year additionally authorized a new activity for the Board in the form of income tax withholding and notification of our beneficiaries of their income tax liabilities. In that the Board had never had this problem before, we are in the midst also of tremendous use of our existing personnel in setting up priority systems to respond to the Solvency Act as far as this tax is concerned.

All of these have put a tremendous burden on our existing personnel. Since our original budget submission in August, the need for these people has further developed and further made problems for us so far as our existing personnel.

The net of this is that probably some of the things that we wanted to do, pilot programs that we had in place and had planned to expand on

as far as waste, fraud, and abuse, are going to be the programs that are going to suffer as a result of our having to expend our resources, our authorized people in these particular areas.

These are the problems that I wanted to highlight for you additionally over my prepared statement.

Mr. Chamberlain would like to make a brief statement, followed by Mr. Oliver.

SUMMARY STATEMENT

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

Mr. Gielow has really highlighted the situation as it exists with respect to our problems with the Board, but I would just like to briefly comment to the chairman about the events of this past year.

As you well know, Congress, with Railroad Labor and Management, addressed the serious financial problems that we had in connection with the retirement system, and through the collective effort of all the participating parties it appears that our system is back on track toward a financially sound future.

The changes made in our law certainly reflect a goal that was accomplished, involving sacrifices on the part of railroad employers, employees, retirees, and the Federal Government.

Throughout the history of the Board, we have taken great pride in the fact that we provide a good service to our constituents at minimal administrative cost to our trust fund.

We certainly hope to continue this record through new initiatives in automated cash management and claims processing operations, and while there may be other program concerns we would like to undertake, we also recognize that we must be willing to make certain management sacrifices in order to hold the line on administrative costs during this critical period in our financial history, as well as contribute to the reduction of the overall record deficit facing our Nation.

We recognize, however, that our plans toward furthering the reduction of administrative costs with operational improvements will not occur overnight. These initiatives will require a certain amount of resources to achieve this goal.

Congress, as Mr. Gielow has pointed out, has also given us added accounting and tax collecting responsibilities which will require extensive work in the next few years.

Taking all these things into account, I believe that our agency's requested limitation on administration at the 1,578 FTE level is a responsible package, and although it will not provide for all the operational enhancements we would like to see, it does provide us with a sound basis for continuing a good record of service and allows us to look toward the future needs of our agency.

I want to personally thank this committee for their past support, and we certainly look forward to the future in working with you to make our system a model of efficiency of service to government.

Mr. OLIVER. Mr. Chairman, my point of view is somewhat different from that of Mr. Chamberlain.

The thrust of my prepared statement, which you said would be introduced into the record, is to support the Board's fiscal year 1985 request, to restore three-fourths of the personnel lost in order that the Board will be able to restore the good service we formerly gave 1½ million beneficiaries, actual and potential, and to provide a measure of program integrity that is missing.

Eight years ago, our personnel ceiling was 1,975 people. Today, with an increased workload, our ceiling is 1,578. Our authorization was gradually reduced, over 6 years, by 400 employees, 20 percent; 2 years ago the Congress said there should be no further reduction.

For administration of the Railroad Retirement Act, our resources pale by comparison with those of Social Security. They are far less by comparison of resources per benefit dollar or resources per beneficiary.

Whereas, for example, Social Security has 1 employee to serve 629 retirement beneficiaries, we, with a much more complex system to administer, have 1 employee to serve 862, or one-third more.

As for the Railroad Unemployment Insurance Act, our personnel to administer it has decreased to the point that we are paying claims with little or no opportunity to determine that the claims are valid.

A recent study showed that each employee-year spent by our field service in detecting waste, fraud, and abuse uncovered $90,000 in unemployment benefits that should not have been paid. Unfortunately, during the time of the 6-month study, we could only devote 3½ employee-years to the effort.

The Board requested of OMB and the Congress—this was last August—a ceiling of 1,874.

As that member of the Board appointed to represent the principal taxpayer into the railroad retirement fund and the sole taxpayer into the railroad unemployment and sickness insurance fund, I am firmly convinced that what the board members requested is needed to enable it to administer the acts effectively and efficiently, to provide good service and at the same time to keep to a minimum fraud, abuse, waste, and error.

The Railroad Unemployment Insurance Act is now being studied at the direction of the Congress, with a view to legislation either to shift unemployment insurance to the States or to improve its operation where it is. Whatever the outcome, the Board will need far greater resources in 1985, either to accomplish the transfer to the States, a most complex task, or to effect the improved controls I hope the Congress will impose if it decides to retain the system.

The Board needs all of the administrative resources, $89 million and 1,874 people it requested.

Thank you, sir.

1985 BUDGET APPEAL

Senator WEICKER. Thank you.

What happened to your request of January 11 to the Budget Review Board to repeal the so-called passback for OMB figures for fiscal 1985?

Mr. GIELOW. We have received no reply to that.

Senator WEICKER. And I gather this is still the Board's position?

Mr. GIELOW. That is correct.

TIME TO PAY BENEFITS

Senator WEICKER. I understand that a significant number of your recent retirees are experiencing delays in receiving benefits.

Can you give me a percentage as to who is being delayed, how many are being delayed?

Mr. GIELOW. We have Mr. Kaufman, who is the head of our retirement claims, present.

Bob, would you respond to that?

Mr. KAUFMAN. Yes; I would be happy to.

It takes now an average of 90 days to start payments, and the average has increased by about one-third within the last 5 years.

Senator WEICKER. Ninety days to commence benefits, and that has grown from what figure?

Mr. KAUFMAN. It has grown by about one-third. In the average case, we used to be able to start payments within about 60 days, as late as 1977 or 1978.

Mr. GIELOW. Would you want him to expand on the process of why it is that way?

Senator WEICKER. Yes.

Mr. GIELOW. Bob, what are the procedures in handling a claim that creates that kind of a 90-day period?

Mr. KAUFMAN. Well, it is a combination, as the Chairman said. Our computer systems have grown more antiquated plus the law has become more complex.

Each change slows the process down. As you are aware, there have been many significant changes in the last 5 years.

MODERNIZING COMPUTER SYSTEMS

Senator WEICKER. Does the budget include requests for accelerating the modernization of computer systems?

Mr. CIELOW. It does. That is our major thrust. Retirement claims automation, which, plus the terminals in our field offices, are really the prime things that will accelerate the process.

TAXATION OF BENEFITS

Senator WEICKER. The 1983 Social Security Amendments include provisions taxing high income individuals for benefits received from Social Security or from railroad retirement on the same basis as Social Security. In addition, the Railroad Retirement Solvency Act of 1983 taxes all

other railroad retirement benefits as regular income and requires appropriate amounts to be automatically withheld from annuity checks.

Will you begin withholding taxes from annuity checks, and if so, when?

Mr. GIELOW. Our expected withholding is roughly January 1, 1985.

Senator WEICKER. How are you going to determine the appropriate amounts to be withheld?

Mr. GIELOW. Would you like to respond again, Bob?

Mr. KAUFMAN. We will canvass and send all of the railroad retirement recipients an election form, as other pension plans have done. The election form will permit them to indicate whether or not they want us to withhold income taxes and what their family composition is.

Senator WEICKER. Can you provide us with a breakdown of the number of staff-years required to implement the tax accounting withholding system?

Mr. GIELOW. Bill Oczkowski, our Budget Director, will respond to that.

Mr. OCZKOWSKI. Mr. Chairman, we think we are going to need at least 50 staff-years to implement the Solvency Act over the next year to year and a half.

Senator WEICKER. Which requirements imposed by the Solvency Act will you not be able to implement?

Mr. OCZKOWSKI. As Mr. Kaufman indicated, we are still working on the withholding part of the Solvency Act.

Mr. KAUFMAN. Every other provision has gone into place on time other than the income tax withholding.

BUDGET REDUCTIONS

Senator WEICKER. Although you have these additional responsibilities, your budget calls for a net staff reduction of 80 positions.

Would you comment on the reason for the staff reductions?

Mr. GIELOW. I think both Mr. Oliver and Mr. Chamberlain have. Mr. Oliver in speaking to the 1,874 figure and Mr. Chamberlain speaking to the 1,578 figure which were parts of our original request. I would have to say that we still feel those are valid statements.

However, OMB, in setting up the budget and the so-called pass-back, was the one that reduced our figure down by that number.

Mr. OLIVER. May I add something to that, sir?

Most of the reduction is in the RUIA area. I think the reduction was based on invalid assumptions, and rather than having a reduction—a reduction of work as compared to a projected reduction at the time you set 416 people as the proper staff for RUIA, we are going to have an increase in the work that would—according to that reasoning, would warrant 200 additional people coming into RUIA.

Senator WEICKER. Did you appeal this to OMB?

Mr. GIELOW. We appealed—we had a discussion with OMB, and then, in accordance with that discussion, we wrote the appeal letter to the Budget Review Board.

FISCAL YEAR 1983 SPENDING

Senator WEICKER. In fiscal year 1983 you turned back almost $6 million of the $47.8 million appropriated for the administration of the Railroad Retirement Account. This raises two questions:

Why didn't you utilize the full amount, and will you be able to utilize the full amount of $83 million requested in your letter of appeal to OMB?

Mr. GIELOW. Bill Oczkowski, would you like to respond to that?

Mr. OCZKOWSKI. There are two reasons why we lapsed the $5 million.

One is that we planned to be ready to start the new automated systems. But when we got close to the end of fiscal year 1983, we realized that we weren't ready. The requirements for these systems were becoming outdated already because the Solvency Act was in the process of being passed. We had to update our specifications which had resulted in the lapse of almost half of that money.

The other lapse of about $2 or $2½ million is just that we didn't need it. I think we spent what we needed, and we were prudent.

To answer your other question, yes, we believe we will spend most of the money that we are requesting in 1985. We will not spend it unless we feel confident to do it, that we have valid requirements and the project is cost effective.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Well, there are further questions that the Chair has that will be submitted to you for response to the record.

Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Question:

I understand that the Social Security Administration employs approximately one person per 500 beneficiaries. The Railroad Retirement Board has been limited to approximately one employee per 700 beneficiaries.

Are the railroad retirees receiving less timely service due to this discrepancy?

Answer:

In the area of initial retirement and survivor claims, the Social Security Administration was able to process a final adjudication on the average in FY-83 in 28.2 days. Records kept by the Board show that in FY-83 of all final awards, only 33% were paid within sixty days; 40% took over ninety days to award a final benefit. In employee and spouse cases, the RRB has a special program to award temporary benefits pending final adjudication. This has worked well over time and compares favorably with SSA's processing time for final awards. However, the temporary amounts paid are restricted in many cases far below the final rates. Furthermore, this special program has not been made available to survivor applicants due to lack of resources to develop and implement such a system.

Post-adjudication activities are more directly affected by staff levels because they are purely a manual effort, whereas the initial adjudication activity is largely automated. More claims examiner personnel would enable more timely handling of these activities.

During the last year the RRB has had to reduce the number of hours its field offices are open to the public. Instead of being open from 8:30 a.m. to 4:30 p.m., offices now remain open from 9:00 a.m. to 3:30 p.m., each weekday. This regretable reduction was necessary to permit field office employees time to prepare claims material for transmission to headquarters. A more preferable solution would have been to increase staffing in field offices to allow the flexibility to have some employees serving the public while others are preparing material for transmission. These reduced hours, while improving our ability to serve the public over previous circumstances, do result in a lower level of service than would be possible if we had the above flexibility.

Question:

Are you losing more money due to undetected fraud or abuse because you have fewer people to investigate these problems?

Answer:

Recent reports from our chief auditor show that in some areas, we may be losing money to undetected fraud and abuse. We are in the process of taking an in-depth look to identify specific areas and to determine the resources that would be necessary to detect, investigate, and recover losses.

Question

I understand a significant number of your recent retirees are experiencing delays in receiving their benefits. What percentage are being delayed?

Answer:

There has been a general upward trend in the length of time to process claims in all categories of cases. In 1965 we paid 90% of all claims within sixty days; in 1983 we paid only 49% within ninety days. While the Railroad Retirement Act has become more complex since 1965, our computer systems have not kept pace to enable us to maintain a more desirable performance level.

More recently, some types of cases were delayed for as much as six additional weeks while amendment related changes were being made to our computer systems. Those changes are now in place and no additional delays are being experienced.

Question

What is the average amount of time between filing for benefits and receipt of same?

Answer:

Currently it takes on average about 90 days to generate a final award of benefits.

Question:

How much time is being added by the delay in receipt of benefits?

Answer:

About 20 days has been added to our average processing time since 1978.

Question:

The 1983 Social Security Amendments include provisions taxing high income individuals for benefits received from Social Security, or from Railroad Retirement on the same basis as Social Security. In addition, the Railroad Retirement Solvency Act of 1983 taxes all other Railroad Retirement benefits as regular income, and requires appropriate amounts to be automatically withheld from annuity checks.

Will you begin withholding taxes from annuity checks? When?

Answer:

Yes, although not as soon as called for by the amendments (January 1, 1984). We will begin withholding federal income taxes from the annuity checks of non-resident aliens on April 2, 1984. Withholding from the checks of other annuitants (U.S. citizens/ residents) will begin January 1, 1985. These amendments in tandem charge the Board with administering perhaps the most complex income tax provisions of any public or private pension system. Various

components of benefits paid by the Board are taxed under different sets of rules -- tier I benefits are taxed according to rules set forth for social security benefits; tier II benefits are taxed under private pension rules, but only after contributions are recovered; dual benefit payments are taxed as private pension benefits without recovery. Given the complexities of taxing different portions of benefits under different sets of rules along with the limited resources available to devote to this project, we were unable to implement these provisions timely.

Question:

How will you determine appropriate amounts to be withheld?

Answer:

Each U.S. citizen/resident annuitant will be informed of his/her benefit rate by component and given the opportunity, as provided by the Internal Revenue Code, to:

- elect not to have taxes withheld, OR
- advise marital status and number of exemptions on which to base withholding according to tables provided by the Internal Revenue Service.

At any time, an annuitant may request a change in the amount withheld, or whether or not we will withhold.

Withholding on benefits to non-resident aliens is at a standard flat rate of 30%, except as modified by tax treaty.

Question:

Could you provide us with a breakdown of the number of "staff years" required to implement the tax accounting and withholding system?

Answer:

Of the total 16 staff years we estimate to implement the taxation provisions, 3 staff years will be required for planning, analysis, procedure, and policy development; 13 staff years of computer systems analysis, development, and testing will be needed.

Question:

Are there any requirements imposed by the Railroad Retirement Solvency Act of 1983 that you have not been able to implement?

Answer:

As stated in response to a previous question, implementation of tax withholding is not in full compliance with the law as it should have begun on January 1, 1984. Little or no impact on revenue should result because we will be able to make an accounting for benefits paid in 1984 and each annuitant will receive a statement and advice that these benefits should be reported as income on individual tax returns.

Otherwise, all provisions (relating to the RRA) have been implemented thus far and work is in progress for items effective in the near future.

Question:

Has implementing the Solvency Act caused curtailment in the level of services you normally provide?

Answer:

As a normal result of making significant changes to processing operations required by major legislation and fielding the numerous inquiries from the affected public, we have experienced some temporary reduction in our service level. However, this is not the result of a management decision to curtail service.

Question:

Although you have these additional responsibilities, your budget calls for a net staff reduction of 80 positions. Would you comment on the reason for the staff reductions?

Answer:

OMB imposed these staff reductions.

Question:

Did you appeal the reduction to OMB?

Answer:

The Board made an appeal to the Budget Review Board by letter on January 11, 1984.

Question:

How much do you need to maintain your current staff levels?

Answer:

In order to maintain our current staff level of 1,578, we would need an appropriation total of $73.2 million, an increase of $2.4 million above the level of the Administration's request.

Question:

Will current staff levels allow you to meet your new responsibilities under the Railroad Retirement Solvency Act of 1983?

Answer:

Yes, but at the expense of other work and timeliness in processing.

Question:

Your request for $405 million for the so-called Windfall Benefits is $15 million less than last year.

As I recall, we had to provide additional dollars last year in order to fully fund the requirements of the windfall account.

Is this year's request sufficient?

Answer:

Yes. $405 million will provide for full funding of windfall benefits in fiscal year 1985. It is correct that the Administration requested $350 million for each of fiscal years 1983 and 1984 even though it was known that full funding required $430 million and $420 million, respectively.

Question:

As part of the effort to streamline Board field service operations, the Board was to install terminals in selected field offices. These terminals were to provide rapid responses to beneficiary inquiries by directly linking the field office with the central data file at Board headquarters in Chicago.

How many terminals have been installed, or will be installed by the end of FY84, and are you planning more terminal installations in FY85?

Answer:

At the end of Fiscal Year 1984, a minimum of 11 terminals will be installed in district offices with a possibility of an additional 27 terminals in 27 district offices. With 38 terminals installed, half of our district offices will have access to computerized data. Funds in the amount of $1.0 million to place terminals in the remaining offices (37), will be requested again in Fiscal Year 1986.

Question:

The Board reorganized administrative responsibilities during FY 1983. Has the new structure clearly established which offices within the Board have the responsibility for evaluating the quality of process claims?

Answer:

Yes.

Question:

Does the Board's strategic planning envision a specific office with responsibility for quality control?

Answer:

Yes, the Board's strategic and operational planning call for establishing a bureau or office with responsibility for quality assurance.

Question:

(If so) Why has it not been established?

Answer:

Although we have not formally established the new quality assurance unit, we have been investigating the types of skills needed by personnel to staff it and evaluating various organizational structures, such as that used by the Social Security Administration, for meeting our requirements. Resources have been reallocated for this activity and we plan to begin staffing the unit in several months.

Question:

I understand that over the past several years the Board has been reviewing field service operations, and has considered reducing the number of offices or otherwise curtailing field service activities.

I note your request for travel funds is substantially less than last year.

Are you considering closing any field service offices?

Answer:

No, as long as personnel levels remain the same, we are not planning on any systematic closing of field offices. Apart from FTE ceilings, we continually review and analyze field office productivity. Changes in workloads and in railroad employee or beneficiary populations could result in the eventual closing or opening of some field offices.

Question:

Would you have to close offices if Board personnel is reduced to 1,498 full-time equivalents as opposed to the current ceiling of 1,578?

Answer:

Yes; additionally, some offices would have to be reduced in size.

Our strategic plan calls for the field service to maintain field office presence in as many current locations as practicable. If there are staff reductions, some full service district offices will be converted to full-time and part-time satellite or base point operations. Some current base point operations may close and the responsibilities for servicing that territory would revert to a distant district office. Many offices across the country would be adversely affected by reductions in personnel ceilings.

Question:

Will you continue to service all service stops, or are you planning to reduce the number of points served?

Answer:

If the amount of travel funds appropriated for FY 1985 is less than the FY-84 level, we would continue to service all stops, but

the frequency of this service would be reduced. The severity of any travel fund cuts will dictate whether more drastic service cutbacks are necessary. Areas serviced once a month may only receive service every other month or every six weeks. Weekly or biweekly service would become less regular. Priority may be given to servicing remote areas forcing people within a 50-mile radius to travel to the district office. For example, residents in Ogden, Utah would be forced to travel to Salt Lake City to see a Board representative instead of enjoying regular monthly itinerant service conducted in Ogden.

Question:

If you do cut back on field service travel, what areas would be affected?

Response:

Regularly scheduled itinerant service would be adversely affected. Our ability to fill vacancies in the field service with well-qualified individuals would be impaired if less money is available for employee moving expenses. Elimination or reduction in the number of annual operational inspections of field offices could be anticipated. Public relations activities such as participation by field personnel at local railroad management meetings, railroad labor meetings, railroad retiree association meetings, and other Federal agencies to explain RRB programs and benefit provisions would be eliminated or curtailed. The annual scheduling of Informational Conferences designed to explain RRB programs and benefit provisions to railroad labor organizations in and near district office cities may be reduced. Further cutbacks in travel would reduce our ability to investigate incidents of error, abuse, and fraud. Quality assurance efforts would suffer as field office's ability to travel is restricted by fewer travel funds. The ability to detail field personnel to assist other offices which experience unexpected losses of key personnel will be greatly impaired. Technical training provided to new contact representatives must undergo changes if less travel money is made available to provide centralized classroom training.

Various trade offs will become necessary if less travel funds are available. An equitable balance between administrative and program travel would be difficult to maintain. If we are to enhance our program integrity and quality assurance efforts, then regularly scheduled itinerant service and administrative travel must be curtailed. If we choose to maintain the present level of itinerant service as long as possible, then our administrative needs and program integrity efforts will suffer.

Question:

In your letter of appeal you express the concern that you will be unable to modernize your ADP system.
Can you briefly summarize your plans in this area?

Answer:

The automation plan calls for the modernization of our administrative and programmatic systems and the increased use of data

communications to link our district offices to the centralized data center located in headquarters. The total costs for accomplishing this is $23.20 million over a five year period with benefits of $53.34 and a benefit/cost ratio of 2.30 to 1.

Question:

Would additional sums beyond those requested for FY85 in the category of "Limitation on Administration" be required?

Answer:

Yes.

Question:

If so, how much more will be needed?

Answer:

As indicated below, in 1986 we will need an additional $3.0 million for our Retirement Claims Processing System and $1.70 million to complete installation of our nationwide data communications network. In 1987, we will need $2.0 million to complete the modernization program.

COSTS
($ millions)

	Software Development Costs				
FY	ADMIN. MGT. INFO. SYSTEM	RETIREMENT CLAIMS PROCESSING SYSTEM	DATA COMM.	NEW COMPUTER	TOTAL
1983	$1.60	$ .40	-	-	$ 2.00
1984	-	4.70	$1.80	-	6.50
1985	.20	3.50	.40	$1.20	5.30
1986	-	3.00	1.70	2.00	6.70
1987	-	2.00	.70	-	2.70
	$1.80	$13.60	$4.60	$3.20	$23.20 *

* Data conversion costs not included

Question:

In the past the Board has requested funds for several benefit accuracy studies.

Are those studies completed?

Answer:

Yes. The Railroad Retirement Board Benefit Accuracy Study (of retirement claims) was completed by Arthur Young and Company on October 29, 1982. The Disability Claims Review Project was completed by Consultative Examinations, Inc. in March 1983.

Question:

Can you summarize the recommendations developed by those studies?

Answer:

Benefit Accuracy Study recommendations follow:

1. Test, validate, and document all mechanical claims processing and calculation procedures.

2. Develop and institute formal error detection procedures during claims adjudication and pre-award processing.

3. Institute greater control over incoming data.

4. Implement a mechanism to identify the assignment of claims examiners, manual computers, and authorizers to cases for which they are responsible.

5. Develop a structured quality assurance monitoring and error tracking system.

6. Continue to pursue and increase the role of mechanical adjudication and claim processing support.

7. Combine Research and CHICO files into a single system.

8. Conduct a study to establish an effective field review of current beneficiaries, focusing on results of the Benefit Accuracy Study.

9. Base continuing training programs and training courses for new hires and current claims processors on results of the quality assurance monitoring program.

10. Establish a centralized and independent quality control organization within the RRB.

11. Develop and institute a selective case action system for reviewing existing beneficiaries identified as high dollar impact and error prone beneficiaries.

12. Develop and institute an ongoing quality review process to identify cases during and after the adjudication process which may be error prone and would be candidates for intensive pre-award review.

Recommendations 1, 2, 3, 4, 6, and 7 have been adopted and will be incorporated into the Retirement Claims Processing System now under development. Recommendation 10 was also adopted and will become a reality in the near future. Recommendations 5, 9, 11, and 12 will be taken up by the new quality assurance bureau. The Board decided not to adopt recommendation 8.

Disability Claims Review project recommendation follow:

1. Establish an internal ongoing monitoring unit.

2. Establish "specialty teams" for the most error prone body systems.

3. Inservice training be given to disability claims examiners on an ongoing basis, relative to each impairment category.

4. Conduct periodic special review projects.

5. During the claims development process, specific requests be sent to the resource physician outlining the medical evidence necessary for adequate documentation.

6. Specific recommendations are made for each of 5 body systems/impairment categories.

Recommendations 1 and 3 have been implemented. We have decided that recommendations 2 and 4 cannot be implemented at this time given existing staffing and workloads. Recommendations 5 and 6 are under development for the best implementation approach.

Question:

The President's budget contains staffing for 20 full-time equivalent (FTEs) for the Inspector General's offices, provided by the Railroad Retirement Solvency Act of 1983. Will this staffing increase be sufficient to comply with the President's program on waste, fraud and abuse?

Answer:

The staffing for 20 full-time equivalents (FTE's) in the President's budget for the Inspector General's office is adequate. However, to comply fully with the President's program on waste, fraud and abuse, we could effectively use additional staffing in other areas, such as in the field service, and the establishment of a quality assurance organization. The additional staff would be used primarily to implement and maintain the Inspector General's recommendations.

Question:

In FY 83 you turned back almost $6 million of the $47.8 million appropriated for the administration of the Railroad Retirement account. This raises two questions:
Why didn't you utilize the full amount appropriated?

Answer:

In FY 83, we were planning to obligate a large amount, over $2 million, for a design contract for the new retirement claims processing system. As we looked at the specifications, however, we determined that they were not detailed enough to ensure good bid responses on the part of prospective contractors. Instead of obligating that larger sum, we obligated a smaller amount for additional work on the specifications. At that time, we could also see that the Solvency Act was nearing passage, and the new law would require systems specification changes. The remainder of the funds were returned to the trust funds as, under the prudent management practices which have been a tradition at the Board, we didn't need to obligate the funds in that year.

Question:

Will you be able to utilize the full amount of $83 million requested in your letter of appeal to OMB?

Answer:

If we are given an FTE ceiling as requested in our appeal letter, we will be able to use prudently the appropriation requested in our appeal letter to OMB.

Question:

The Solvency Act provided for reimbursement of the Railroad Retirement Account for costs of the so-called dual benefit "windfall" during fiscal years 1975-81.

The first of these installments in this repayment plan has been transferred to the account from the general fund.

Does the Board's actuary project that these funds will be spent within the next decade?

Answer:

All income to the Railroad Retirement Account not needed for immediate payment of benefits is commingled and invested. Income consists of payroll taxes, income taxes on benefits and certain other items as well as the reimbursements mentioned in the question. Benefit payments are made from the commingled funds. A determination is not made as to whether a particular revenue source is being spent for a benefit payment. The intent of the question may be to ask whether, if the dual benefit reimbursements were not made, the Railroad Retirement Account would run into cash-flow problems within the next decade. It is likely that cash-flow problems will develop within the next decade if the reimbursements are not made.

Question:

How will funds not immediately needed for benefit payments be invested?

Answer:

The law restricts investments to obligations of the U.S. Government or obligations guaranteed as to principal and interest by the Federal Government. In November 1979 the Board entered into an agreement with the Treasury which has provided the structure for the Board's investment procedures and which, the Board believes, has worked well.

Question:

Do any of these reserve funds become invested in the Railroad Unemployment Insurance Account?

Answer:

The Railroad Retirement Account lends money to the Railroad Unemployment Insurance Account only when the unemployment account needs the money in order to pay benefits. The unemployment account must pay back the borrowed money with interest. It is only in this sense that Railroad Retirement Accounts funds are invested in the unemployment account.

Question:

Do they earn a different rate of interest over what they would have earned if invested as assets available for payment to the retirement account?

Answer:

Yes.

Question:

Why are you willing to accept these lower rates?

Answer:

The rate may be higher or lower. The procedure for determining the rate is specified in the Railroad Unemployment Insurance Act.

Question:

The obligations of the railroad industry, with respect to the operations of the Railroad Retirement Board, might be considered as the sum of (1) Tier II (industry retirement benefits) (2) the differences between Tier I (the social security equivalent benefits) and railroad unemployment and sickness insurance benefits, and (3) administrative costs.

Over the next 10 years, how will the sum of Tier II taxes and Railroad Unemployment Insurance Account taxes compare to the sum of benefits and administrative expenses?

Answer:

The following table includes Tier II benefits, the part of Tier I benefits not comparable to social security, supplemental annuity benefits, unemployment and sickness benefits, tier II administrative expenses and unemployment and sickness administrative expenses under the heading "Benefits and administrative expenses." It includes tier II taxes, the income tax on tier II and windfall benefits for the period during which they will be transferred to the Railroad Retirement Account, supplemental annuity taxes, unemployment and sickness taxes, and the Railroad Unemployment Repayment Tax under the heading "Taxes." Interest income and the dual benefit reimbursements are excluded. Amounts are in millions.

Fiscal year	Benefits and administrative expenses	Taxes
1985	$2,691	$2,672
1986	2,695	2,728
1987	2,791	2,896
1988	2,876	2,784
1989	2,969	2,779
1990	3,052	2,837
1991	3,135	2,853
1992	3,210	2,924
1993	3,289	3,012
1994	3,362	3,106

Question:

Are there Federal Government administrative costs, caused by the existence of the Railroad Retirement Board, that do not show up as direct administrative costs under the entry "limitation on Administration?"

Answer:

No.

Question:

Please specify any such additional Federal costs of maintaining the Railroad Retirement Board and its program operations.

Answer:

None.

Question:

One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It wou'd be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for the consulting services. How do these amounts compare to FY 1984 amounts for consulting services?

Answer:

The following are the consulting services contracts budgeted for FY 1984 and 1985.

Contract	FY 1984	FY 1985	Description
	($000)		
Executive Assessment Center	$ 12	$ 20	Evaluate applicants for senior executive service positions and assess job requirements.

Contract	FY 1984	FY 1985	Description
	($000)		
Medical Advice and Consultation	199	200	Review medical evidence submitted in support of sickness determinations. Also provide medical expertise, advice and consultation regarding disability benefit claims.
Claims examiner work sample modification project.	57	-	Develop work samples to be used for hiring new claims examiners.

Note: There are other major contracts in FY 1984 and FY 1985 but are not classified as consulting contracts -- i.e, the retirement claims processing system which is a computer software development contract.

Questions Submitted by Senator Arlen Specter

Question:

How much money has the Board spent on the program of supplemental compensation to railroad workers, unemployed, with less than ten years experience?

Answer:

Through February 29, 1984, a total of $44.8 million has been paid in supplemental unemployment benefits. This represents $41.9 million for the program which ended on June 30, 1983, and $2.9 million for the program which was passed as part of the FY 1984 Supplemental Appropriation Bill.

Question:

How many railroad workers have benefited from the program since it was extended as part of the Supplemental Appropriations Bill for Fiscal Year 1984?

Answer:

Through February 29, 1984, 8,065.

Question:

How many more individuals do you expect will benefit before the program expires on June 30, 1984?

Answer:

Our most recent estimates indicate that 40,000-45,000 additional beneficiaries may receive these benefits.

Question:

Will this program exhaust the initial $125 million authorized for this program when first passed as part of the Emergency Jobs Bill, P.L. 97-8?

Answer:

If railroad employment remains stable, the initial $125 million will not be exhausted.

Question:

If the program were to be extended beyond June 30, how many railroaders would be eligible in the ensuing year for supplemental benefits and at what cost to the federal government?

Answer:

Assuming that (a) anyone who had already received 50 days of benefits under the current legislation would not be eligible under another extension and (b) railroad employment remains stable, fewer than 20,000 beneficiaries might receive benefits totaling $10-$25 million.

Question:

Do you expect to exhaust the entire amount set aside for administrative costs for the extension of this program?

Answer:

The legislation extending the program did not set aside a specific amount for administrative expenses. It authorized the Board to estimate the amount needed and to transfer that amount from funds carried forward. The Board has transferred $803 thousand for administrative expenses in fiscal 1984.

Question:

What are your projections for rail unemployment during 1984-85?

Answer:

Current projections of unemployment benefits and beneficiaries are:

	Fiscal Year 1984	Fiscal Year 1985
Benefits	$290-$345 million (including supplemental)	$210-$220 million
Beneficiaries	125,000-150,000	110,000-120,000

Question:

When this supplemental benefits program stops short on June 30, is there any provision to allow those individuals who have begun to receive their ten weeks to exhaust their entitlement?

Answer:

No. Section 17 of the Railroad Unemployment Insurance Act, as amended by P.L. 98-181, provides that no supplemental unemployment benefits shall be payable for any registration period beginning after June 30, 1984 and that no individual period of eligibility shall include any registration period beginning after June 30, 1984.

Question:

Will there be enough money left on June 30 to extend a full ten weeks of benefits to those individuals cut off on that date?

Answer:

If railroad employment remains stable, there should be enough money left to fund the full ten weeks of benefits to all beneficiaries who have begun receiving benefits.

Question:

In the FY 1984 Labor Appropriations bill, it was the intent of the Committee that the Railroad Retirement Board conduct a study regarding the "last person service" problem occurring for those who wish to receive their railroad retirement pension but are working for another employer.

Could you please tell the Committee the status of this report? That is, has it been started? If so, is it near completion, and when can the Committee expect to receive a copy?

Answer:

Work is currently being done on the study; we expect to submit the report by October 1, 1984.

Questions Submitted by Senator William Proxmire

Question:

You seem to have turned back substantial amounts to the Treasury from your administration fund. In fiscal year 1982 you had an unobligated balance lapsing of $4,310,000, about 9.6 percent of your limitation. Although last year at this time you claimed you would lapse only $500,000 in fiscal year 1985, you actually returned $5,997,000 to the Treasury, approximately 12.5 percent of your limitation. Can you tell us why your spending estimates were so wide of the mark?

Answer:

Funds not used for administration are returned to the trust funds, which is their original source, rather than to the Treasury. They remain available there for payment of benefits or reappropri ation for administrative expenses. In fiscal year 1983, we had planned to obligate a large amount, over $2 million, to begin building the new retirement claims processing system. As we looked at the specifications, however, we determined that they were not detailed enough to ensure good bid responses on the part of prospective contractors. The Solvency Act was nearing passage, and we knew that would require changes in the specifications.

Therefore we obligated a smaller amount of funds for additional work on the specifications. Prudent management enabled us to return the remainder of the monies to the trust fund, rather than obligating it for administrative expenses.

Question:

Mr. Oliver, once again this year you have made an eloquent plea for additional staffing so that the Board can more adequately monitor unemployment and disability claims. Last year, in a response for the record, you stated that you would expect to save, at a minimum, five dollars in erroneous benefit payments for each additional dollar you spend. If this administration really wants to save Federal dollars by limiting waste, fraud and abuse, why doesn't it permit you to request these added resources.

Answer:

Senator Proxmire, the Congress incorporated in the Railroad Retirement Solvency Act of 1983 a provision that permits us to make such a request without prior clearance with any other agency, department, or person. On August 30, 1983, the Board submitted to the Congress its request for the added resources at the same time it submitted the request to OMB.

Question:

Last year you estimated that you would spend $29,196,000 for personnel compensation in fiscal year 1983 to administer your retirement accounts. You actually spent only $26,959,000. Given these figures your concern about staffing levels seems misplaced. Why did you spend about $2.2 million less on staffing last year than you orginally estimated?

Answer:

Although the Board did a good job in fully utilizing its staff resources, we completed fiscal year 1983 twelve (12) full-time equivalent(FTEs) positions below our ceiling of 1,578 FTEs. This resulted in a lower level of expenditure for personnel compensation than was budgeted. During fiscal year 1983, the Board was reimbursed more than originally anticipated for work in special reimbursable programs, such as; Title VII, Social Security Administration's Medicare program, and several other

smaller efforts which reduced personnel compensation charges to the Limitation on Administration. In addition, less was spent on overtime and incentive awards levels than projected, and a smaller than originally planned summer-aide program.

Question:

In last year's record response, Mr. Oliver, you said that "a limited computer match with Medicare disclosed $1.5 million in RRB payments to dead people" and that a one-time computer match several years ago suggested unemployment insurance payments of almost $1/2 million went to persons who were ineligible by reason of working for a railroad on the days claimed. Why can't you do these computer matches on a regular basis? How much would it cost and how much would it save in your estimation?

Answer:

We can do the computer matches on a regular basis provided we have adequate resources. The cost of establishing an on-going match would be only a few thousand dollars, but we are behind in our computer program work and other programs have a higher priority. We are continuing to do the matches on an ad hoc basis. As of the end of 1983, we had recovered $1.47 million, had instituted recovery procedures for an additional $1.4 million, and were in process of making field service investigations respecting 241 annuitants reported dead.

Question:

You are requesting a limitation of $15,378,000 for administration of the Railroad Unemployment Insurance Act in fiscal year 1985. Although this represents a decrease of $1,507,000 from current levels, I notice there are some significant increases. For example, you are requesting an increase of $80,000 -- or 80 percent -- for printing and reproduction. How will you spend these added funds?

You are also proposing an increase of about 44 percent -- $91,000 -- in your travel budget. Why is an increase of this magnitude necessary when you have no plans to add to your current staffing levels?

Answer:

The following breakdown describes the reasons for increased funding in the Limitation on Railroad Unemployment Insurance Administration Fund for fiscal year 1985.

Object Class	Increase ($000)	Reason for Increase
Travel	+ 91	Due to an increased effort in the areas of waste, fraud and abuse.
Printing and Reproduction	+ 80	Due to an increase in the allocation percentage for this activity.

The heavy unemployment claims workload in fiscal year 1983 prevented the Board from conducting inquiries in the areas of waste, fraud, and abuse with respect to unemployment and sickness claims. With the projected return to a more normal level of claims activity in FY 1985, the Board will be able to devote some effort toward these activities as mandated by the Federal Managers Financial Integrity Act of 1982.

Question:

The administration wants to save $1 million in Medicare costs in the coming fiscal year by eliminating a separate fiscal intermediary for the Railrod Retirement Board. If this proposal were adopted would it result in any savings to the Board's operations?

Answer:

Unfortunately, the Board has not been afforded the opportunity to review the administration's latest proposal. We can only assume that the projected savings for fiscal year 1985 is primarily based on a reduction of administrative costs incurred in the processing of Part B Medicare claims.

The theory behind the original delegation was the uniqueness of the railroad retirement system, a centralized, federally-administered social insurance program for a single industry. The concept of a special national carrier naturally evolved from this origin. Throughout its history, the railroad retirement system has been based on a series of collective bargaining agreements negotiated by representatives of railroad labor and railroad management. Both parties supported the idea of a separate railroad Medicare carrier in 1966, and they continue to fully support this concept. The Board believes that its one carrier arrangement provides uniform service at the best possible level on a nationwide basis to all its beneficiaries who qualify for Medicare.

If the Board lost its authority to contract with a separate carrier, railroad retirement beneficiaries would be covered by a number of carriers rather than just one. This would be detrimental to the interests of railroad retirement beneficiaries in that the Board's effectiveness as a liaison between the beneficiaries and the carrier would be severely weakened. By having a single carrier for railroad Medicare claims, the Board looks to one source for accountability. Any problems arising on eligibility and entitlement are resolved quickly and effectively. Abandonment of the one-carrier concept would relieve the Board of the responsibility for administering the Medicare contract. However, less than two staff years per year are devoted in these efforts. These savings would be offset because additional staff would be required to establish liaison with approximately 50 area carriers in order to resolve day-to-day operating problems.

The Board is vitally concerned in administering a Medicare program that is cost effective and provides a stisfactory level of service. However, in our opinion, this proposal, when all factors are considered, would not result in significant savings to the government.

NATIONAL LABOR RELATIONS BOARD

STATEMENT OF DONALD DOTSON, CHAIRMAN

ACCOMPANIED BY:

WILLIAM LUBBERS, GENERAL COUNSEL
LEE D. VINCENT, COMPTROLLER
MELVIN WELLES, CHIEF ADMINISTRATIVE LAW JUDGE
ERNEST RUSSEL, DIRECTOR OF ADMINISTRATION

PREPARED STATEMENTS

Senator WEICKER. We next have before us the National Labor Relations Board: Donald Dotson, Chairman, and Mr. Dotson is accompanied this morning by William Lubbers, General Counsel, and Lee D. Vincent, Comptroller.

Mr. Chairman, why don't you go ahead and proceed?

Mr. DOTSON. In addition to the people that you mentioned, we have Melvin Welles, Chief Administrative Law Judge, and Ernest Russell, Director of Administration.

As you know, the Board's independent general counsel accounts for the expenditure of most of our money. We have each submitted a statement which is to be made part of the record.

Senator WEICKER. OK.

[The statements follow:]

STATEMENT OF DONALD L. DOTSON

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to present the Agency's budget request for Fiscal Year 1985. In accordance with normal procedure, the Agency has already submitted to you a detailed Fiscal Year 1985 Justification. But, with your permission, I would like to touch briefly on some of the highlights of that Justification statement and make a few additional comments as well.

For Fiscal Year 1985, the NLRB is requesting an appropriation of $137,964,000 compared to total anticipated 1984 funding of $134,989,000, which includes an estimate of $1,395,000 for a Pay Act supplemental appropriation.

The Budget request before you for 1985 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1985; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1985 will increase by about 5.8 percent, staff by about 0.7 percent and funds by 2.2 percent. The case intake projection for 1985's total Agency workload of unfair labor practice charges and representation petitions is for a level of cases about equal to that realized in 1979. However, as a result of our goal to obtain higher productivity rates in 1985 than in 1979, the comparable staff-years that are requested to handle this projected 1985 workload are 4.3 percent fewer than were employed back in 1979.

The total 1985 cost increase is $2,975,000. The major portion of the increased 1985 funding request is necessary to meet what we term built-in or unavoidable costs, such as paying for the January salary increase and normal promotions and within-grade increases. The amount needed for all of these personnel related expenses is almost 69 percent of the total increase we are seeking. Most of the remaining funding increase is necessary to meet the direct costs of investigating additional cases and holding more trials, where we incur such costs as witness fees, travel, and transcript reporting. The balance has been calculated to cover announced cost increases on items such as

existing leases for Agency space, which itself constitutes 10.2 percent of the requested increase in funds.

In short, this is a tight budget, but one that will fulfill the resource needs of the Agency.

Directly under the responsibility of the Chairman and the Board are the Division of Administration Law Judges and the staffs of the Board Members. The General Counsel has statutory responsibility for the investigation and prosecution of cases. He will be addressing these concerns separately.

ADMINISTRATIVE LAW JUDGES

In 1983, our Administrative Law Judges closed 1,163 hearings, issued 1,104 decisions, and obtained 503 settlements. I am gratified to tell you that the number of cases pending a trial before the Division of Administration Law Judges declined for the second year in a row from a peak two years ago of more than 3,100 to under 2,050 at the end of Fiscal Year 1983. This decline is continuing into 1984 with the total trial backlog on January 1 being less than 1,500.

A significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because every 1 percent increase in the number of meritorious case settlements eventually saves the Agency over $1 million in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process. Many of these cases, if not settled, would not only have to be tried before an Administrative Law Judge, but would be appealed to the Board and the Courts of Appeals as well.

For 1984, we foresee the possibility of hiring a few more Judges than were employed in 1983 and to maintain that number in 1985. These additional hires may be necessary to handle the expected increase in casework in 1984 and 1985 and to assure that the trial backlog does not climb and reverse our accomplishment of the last two years. The legal clerk program, which was initiated in 1983, has been helpful by providing assigned Agency Judges with fully qualified legal assistants under their supervision to speed decision writing.

BOARD MEMBERS' STAFFS

Turning now to the Board Members' workload, under present Budget estimates the Board will be faced with the sizeable task of deciding 1,343 contested unfair labor practice cases in 1984 and 1,431 in 1985. In 1983, the Board decided 602 unfair labor practice cases and 278 election cases. Present estimates call for the Board to decide 498 contested representation cases in 1984 and 620 in 1985.

The decrease in the output of Board decisions in 1983 was due to a number of factors, but principally it was caused by the turnover of Board members and the difficulty of the issues which confronted us. Sometimes a single issue may back up scores of similar cases behind that lead case. Some of these issues are now being decided, though the Board still is awaiting its fifth member. This budget anticipates that we will have a full 5-member Board in the near future and that we will reduce the number of cases awaiting decisions.

I should also note that in addition to the contested election cases, the Board also rules on several hundred other appeals and requests for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping fully abreast of an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is valuable and that it is essential that the Agency receive its funding requested. It is my intention to assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

STATEMENT OF WILLIAM A. LUBBERS

Mr. Chairman and distinguished members of the Subcommittee: As NLRB General Counsel, I appreciate this final opportunity to testify before you in support of the National Labor Relations Board's budget request for Fiscal Year 1985. My four year term of office expires April 23, 1984, so this will be my last appearance before you in this capacity.

For Fiscal Year 1985 we have a budget request for $137,964,000, an in-

crease of $2,975,000 over 1984 total funding of $133,594,000 plus pay act supplemental, currently estimated to be $1,395,000. The 1985 appropriation request is 2.2 percent over 1984. It will support a Fiscal Year 1985 total average employment of 2,850, up 0.7 percent. This employment increase is needed to carry out the casehandling and related functions of the Agency, which are estimated to increase 5.8 percent over 1984. Total unfair labor practice case intake for 1985, all of which is initially processed in one of the regional offices under the General Counsel's responsibility, is estimated at 44,885. Similarly, representation petition filings are expected to reach 10,233.

As part of the normal budget process, the Agency has already submitted to you a detailed "Justification of Estimates for Fiscal Year 1985". Because of the importance of the Office of the General Counsel in the casehandling and administrative functions of the Agency, I would like to take this opportunity to review in greater detail the responsibilities of my office, highlight accomplishments for Fiscal Year 1983, and talk about the outlook for Fiscal Years 1984 and 1985.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices. It is those Regional Offices that receive unfair labor practice charges, investigate them, determine their merit, and then as to those deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions; determine appropriate units for employee representation; conduct elections; resolve allegations of objectionable election conduct, and certify election results. Additionally, the

General Counsel, upon direction of the Board, enforces Board decisions administratively or by litigation in the Circuit Courts of Appeal.

The Agency does not have complete control over its case intake, and it must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed at one of the Agency's thirty-three regional offices, 3 sub-regional offices or 16 resident offices, it begins to move through what can be described as a case-handling "pipeline". The newly filed charge is investigated first for merit and, if found to be meritorious, the parties are encouraged to settle without further action. Non-meritorious cases are withdrawn or dismissed. If a case is found to have merit and no initial settlement is reached, then a complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeal. At any point in the process, the parties may reach a settlement agreed to by the Agency, alleviating the need for further proceedings.

Because each inquiry brought before the Agency must be resolved and because an even greater amount of time must be devoted to achieving the resolution of a case the further it proceeds along the Agency's casehandling "pipeline", we have defined three major objectives which must be met in order for it to effectively enforce the NLRA and thereby facilitate the nation's economic growth. These objectives are: first, to reduce the number of case filings by carefully screening out non-meritorious cases; second, to maintain the NLRB's traditionally high settlement rate; and third, to continue to develop more efficient means of casehandling in order to process quickly and fairly the maximum number of cases.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to screen out non-meritorious cases at the pre-filing stage, thus reducing the amount of Agency resources which would otherwise be expended in resolving these charges once they are filed. It is through the administration of this important program that many thousands of persons are provided with their first guidance as to what this Agency can and cannot do for them, and whether or not they should file a charge. The effectiveness of this

program is demonstrated by the fact that during Fiscal Year 1983 this Agency's field offices handled over 217,000 such contacts from employees, unions and employers; of these, only about 14,500 resulted in the filing of an unfair labor practice charge. Thus, the Regions acted to minimize the chances of unnecessary case filings that, had they been filed, would have drained already limited resources.

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of Agency casehandling professionals, including field examiners, attorneys, and top Regional management. Before, during and after hearings, the Administrative Law Judges will also aid the parties in an effort to reach an equitable settlement. Even in the highly simplified picture of the Agency's case "pipeline" just discussed, it is apparent that in the progression of casehandling from initial investigations by field staff to possible litigation work at the Board level, the drain on Agency resources becomes increasingly severe. In fact, a decrease of 1 percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than one million dollars by the time all of the work generated by fully litigating such cases is completed.

The final challenge faced by the Office of the General Counsel and the rest of the Agency is the ongoing necessity of quickly processing the maximum number of cases within the NLRB's budget constraints with fairness to all concerned parties. The NLRB has a long history of increasing its level of productivity. Its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management, the Comptroller General and others.

Accomplishments in Fiscal Year 1983

The record of the Office of the General Counsel in 1983 reflects the careful attention given to our obligations under the NLRA and to our obligation as stewards of public funds. As I stated earlier, I am particularly proud that both the Washington and Field offices under my responsibility have, throughout my tenure, been able to maintain a high level of service to the public. I believe these four years have seen a fine record of achievement by the Regional and Washington staffs of the Office of the General Counsel. These staffs are composed of hard working and dedicated public servants and their commitment to the NLRA has made my job much easier. I thank this Committee for its assis-

tance and commitment to the Agency over the years. That assistance and commitment has permitted the Office of the General Counsel to achieve a record level of timely and quality casehandling.

This level of service is reflected in the operating results of this past year.

1. Case Intake. The Regional Offices accepted and began processing approximately 48,840 total cases. The 40,031 unfair labor practice cases filed represented an increase of 6.2 percent over those filed in Fiscal Year 1982. There were 8,809 representation cases filed, a decrease of 1.9 percent from 1982.

2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 34.8 percent were found to have merit; this is up slightly from the 34.1 percent in 1982. The settlement rate was 93.5 percent, down from 99.0 percent in 1982. A total of 4,543 complaints were issued in a median time of 45 days, the same as 1982. The Agency closed approximately the same number of cases as were received.

3. Litigation Results. The 79.0 percent of Board and Administrative Law Judge decisions won in whole or in part in Fiscal Year 1983 is a small decline from the 80.9 percent and 80.7 percent litigation rates of Fiscal Year 1982 and Fiscal Year 1981, respectively.

4. Representation Case Performance. The regional offices conducted about 5,196 elections of which 81.9 percent were pursuant to agreement of the parties; in 1982, the corresponding figures were 6,000 elections and 80.7 percent agreements. Regional directors issued 1,056 decisions in contested cases after hearing in a median time of 40 days, compared with the 1,146 decisions, issued in a median time of 41 days, in 1982. There were 1,416 initial representation and union deauthorization hearings in 1983, compared with 1,454 in 1982.

5. Productivity. Productivity rebounded in 1983 because the Agency was able to train and transfer employees and fully staff its offices. Production is scheduled to increase a further 2 percent in 1984 and about 4 percent more in 1985.

6. Injunction Activity. The Division of Advice processed 309 requests for Section 10(j) relief during Fiscal Year 1983; this is an increase

of 21.2 percent from 1982. Injunctions were sought and authorized in 51 of these cases as compared to 54 in 1982.

The Regional Offices filed 116 petitions for Section 10(1) injunctions with the appropriate U.S. District Courts. In 1982, 109 petitions were filed.

7. Appellate Litigation. In Fiscal year 1983, 338 cases were decided by the United States Courts of Appeals compared with 424 in Fiscal Year 1982. Of these, 70.1% were enforced in full and a total of 81.6 percent were won in whole or in part, compared with 79.7 percent in Fiscal Year 1982; 5.9 percent were remanded entirely compared with 7.8 percent in Fiscal Year 1982; and 12.4 percent were entire losses compared with 12.5 percent in Fiscal Year 1982.

These are but a few of the achievements this past year. I am particularly proud of the settlement record and the time statistics set out above. Taken together with the very favorable comments of practitioners from across the country about the quality of the service they receive, they reflect the truly outstanding commitment of the Regional and Washington staffs. I know I have said this before in this testimony but it is a fact that bears repeating.

Outlook for Fiscal Year 1984

For 1984, the offices under the General Counsel are operating effectively and efficiently. We estimate a productivity increase of 2 percent. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources.

Outlook for Fiscal Year 1985

For 1985, the Office of the General Counsel faces the considerable challenge of achieving a 4 percent increase in productivity over 1984. This will result in the Agency surpassing its historic best level of performance. I am confident that, with the dedication and hard work of our employees and the thoughtful direction of our managers and supervisors, we can meet our goals.

Despite our efforts, though, we cannot expect that the settlement experience of Fiscal Year 1982 and Fiscal Year 1983 will continue into 1985. We must anticipate that the settlement rate will eventually return to the more traditional 83-86 percent level. This will require a much greater demand on Agency resources in Fiscal Year 1985 since more formal trial and other work will be

necessary. However, the 1985 Agency employment increase of 0.7 percent is expected to be adequate, especially with the Agency's expectation of substantial results from the various training and other programs now underway and the beneficial result of properly balanced staffing.

CONCLUSION

In my remaining time as NLRB General Counsel, I pledge that my staff and I will continue to do our best to meet the challenges of administering the NLRA.

I would again like to thank the Committee for the opportunity to appear before it over the years and for the support you have shown.

BIOGRAPHY OF DONALD L. DOTSON

DATE OF BIRTH: October 8, 1938

RESIDENCE: Arlington, Virginia.

EDUCATION:

University of North Carolina, B.A.- 1960
Wake Forest University , J.D. - 1968
Member of the North Carolina, Pennsylvania and Supreme Court Bars

MILITARY SERVICE: U. S. Navy 1960-1965

EMPLOYMENT HISTORY:

Appointed by President Reagan as Chairman of the National Labor Relations Board, sworn in March 8, 1983 for a term which expires December 16, 1987.

1981-Feb., 1983:	Assistant Secretary of Labor for Labor Management Relations
1976-1981:	Chief Labor Counsel, for the Wheeling-Pittsburgh Steel Corporation
1975-1976:	Labor Attorney, Western Electric Company, Inc., Corporate Headquarters
1973-1975:	Labor Counsel for Westinghouse Electric Corporation and Subsidiaries
1968-1973:	Attorney, National Labor Relations Board

BIOGRAPHY OF WILLIAM A. LUBBERS

Born: September 21, 1924 -- Cedar Grove, Wisconsin
Lived in Cedar Grove (small rural community) until 1937
Lived in Sheboygan, Wisconsin from 1937-1946
1952 - Present -- Resides in Bethesda, Maryland

Married: To Val Palesse Lubbers
Children: Jeffrey, Steven (deceased), Darcy, Sherry and Kevin

Education: Graduated from Sheboygan North High School -- 1942
Attended Carroll College, Waukesha, Wisconsin -- 1942-1943
University of Wisconsin 1946-1948
Received Bachelor of Arts Degree - 1948
University of Wisconsin Law School
LLB - 1950 Member of Wisconsin State Bar

Military Service: United States Army 1943-1945
Wounded in Action 1/18/45 Leyte, Philippines
Certified Disability Discharge July, 1945

Employment History

June 1950 - December 1950 -- American Federation of State, County & Municipal Employees. (Organizer in State of Michigan)

August 1951 - September 1952 -- Wage Stabilization Board in Office of Case Analysis and then in Office of the General Counsel.

September 1952 - 1977 -- National Labor Relations Board as Staff Counsel on Staff of Member Abe Murdock 1952-1957.

On Staff of Member John H. Fanning as Staff Counsel, Supervisory Staff Counsel, and Deputy Chief Counsel from 1957 to July 1977.

July 1977 - May 1978 -- Solicitor

May 1978 - December 1979 -- Executive Secretary

December 24, 1979 to Present -- Appointed by President Jimmy Carter on a recess appointment as General Counsel of the National Labor Relations Board. Currently serving a full four-year term until April 23, 1984.

Civic Activities: Active in various capacities, including President, in local PTAs, and Second Vice President in Montgomery Council of PTAs. Chairman of Citizens Nominating Convention of candidates for Montgomery County Board of Education elections - 1972. Active in various capacities, including President, of Edgemoor Citizens Association.

Biography of Lee D. Vincent

DATE OF BIRTH: July 24, 1939

RESIDENCE: Washington, DC

EDUCATION:

University of Maryland
B.S., Industrial Administration, 1960
M.B.A., Labor Relations, 1961

EMPLOYMENT HISTORY:

1960-64 Labor Management Relations Examiner
National Labor Relations Board
Chicago, Illinois

1964-1974 Management Analysis Officer
National Labor Relations Board

1974-Present Comptroller
National Labor Relations Board

OTHER:

Recipient, first Ernest Connolly Memorial Award of the Washington Personnel Association.

ACCOUNT	1983 ACTUAL	1984 REQUEST	1984 APPROPRIATION	1984 REVISED REQUEST (Including supps. & rescis.)	1985 Estimate (for each activity) ($000)	
NATIONAL LABOR RELATIONS BOARD, "SALARIES AND EXPENSES"	$124,974,500 1/	$154,153,000	$133,594,000	$134,989,000	1. Field Investigation	$96,734
					2. Administrative Law Judge Hearing	$13,348
					3. Board Adjudication	$12,320
					4. Security Compliance with Board Orders	$15,342
						$137,944

1/ This amount includes $2,103 from offsetting collections.

BUDGET REQUEST

Mr. DOTSON. I'll summarize very briefly my statement. We expect our case intake for 1985 to increase about 5.8 percent, staff by about 0.7 percent and our request for funds is a 2.2-percent increase. The level of cases we anticipate is close to our activity in 1979. We do, however, expect higher productivity. Therefore, we expect to handle the workload with 3.7 percent fewer people than we had in 1979.

Senator WEICKER. Does anybody care to make any other opening comments?

Mr. LUBBERS. If I could just make a very brief statement. Mr. Chairman, this will be my last appearance in my present position before this committee. I would like to take this opportunity to thank the chairman and the members of the committee, as well as the staff of the committee, for the very courteous treatment that I have received and my staff has received before this committee, and for the committee's very thoughtful consideration for our budget requests in the past. I think the committee's support in understanding our needs and in funding our requests has been a very substantial contribution to whatever success we have had in the administration of the National Labor Relations Act, and I want to express our appreciation for that thoughtful consideration.

As the chairman has indicated, our budget request is a tight budget. We are budgeting actually for a very strong productivity increase on the part of our staff. Taking the expected case increase, we believe the amount will be sufficient. We are currently, in the Office of the General Counsel, where all of the cases initially start and are processed, on a current basis of processing, and we expect to be able to maintain that record.

CASE INVENTORY

Senator WEICKER. All right. Let's get into the matter of your case inventory. What was your inventory for 1983?

Mr. LUBBERS. In 1983, the total cases amounted to 48,840.

Senator WEICKER. And what is it at present?

Mr. LUBBERS. At the present, it is running approximately—well, we are estimating for this year, 52,000. That is the year that we're now in, approximately 52,000. Our estimate was approximately a 6-percent increase over 1983. It is at this time running less than we had estimated it would run.

Senator WEICKER. I'd like to have for the record, the case inventory numbers for the last 5 years.

Mr. LUBBERS. OK. We'll provide that.

[The information follows:]

NLRB CASES RECEIVED AND CASES CLOSED FISCAL YEAR 1977–82

	ULP	Representation	Other	Total
1977:				
Received	37,828	14,358	757	52,943
Closed	37,602	15,436	870	53,908
1978:				
Received	39,652	12,902	707	53,261
Closed	37,192	12,438	628	50,258
1979:				
Received	41,259	12,905	743	54,907
Closed	41,544	13,465	785	55,794
1980:				
Received	44,063	12,400	918	57,381
Closed	42,047	12,618	922	55,587
1981:				
Received	43,321	11,790	786	55,897
Closed	41,020	11,114	670	52,804
1982:				
Received	37,904	8,107	821	46,832
Closed	35,922	7,847	721	44,490

NOTE: The 1982 figures are estimated; they are subject to change after final computer runs are verified.

DELAYS AND BACKLOGS IN UNFAIR LABOR CASES

Senator WEICKER. I've seen two reports that indicated that the delays and backlog in unfair labor cases were due to a shortage of administrative law judges and to their low production performance. To the extent that these reports are correct in their assessment, what steps has NLRB taken, to resolve these problems without any changes in current law?

Mr. WELLES. I don't think that's a problem, Mr. Chairman. I think we can resolve these matters, if there is not an increase in the case intake. Otherwise we would need more administrative law judges. The productivity of the administrative law judges has been about the same in terms of the total numbers of cases, but the length of cases, which presumably translates into the difficulty of the cases, has gone up. In the past 10 years, there's been a 50-percent increase in the transcript length of case we have. We have, in the last few years, since 1981,

made improvements in terms of the timelag that it takes to issue decisions once the cases are heard.

We've also made great improvements in the time it takes to get a hearing, once a complaint is issued by the general counsel. As of 2½ years ago, there was an average time of 9 months to get a hearing. Now that time is down to less than 3 months on the average and not one of our 33 regions has more than a 5-month timelag in terms of the issuance of the complaint to the hearing date.

Senator WEICKER. I note that your cost for postage, FTS and reporting services are going up by a total of nearly $200,000.

Why are these increases necessary?

Mr. DOTSON. That is just mainly the increase in case handling.

VACANCY RATE

Senator WEICKER. I also notice on table I in your justification that your vacancy rate of 417 positions is almost 13 percent.

Would you like to explain why the rate is that high? Doesn't this affect your case backlog?

Mr. VINCENT. On that, the vacancy rate that you refer to comes from a lapse of a number of positions of 3,213 which we've carried in our budget in the last few years. That number was put in the budget several years ago, when we expected to need about 3,050 actual staff-years of employment. Since we budget based on staff years, not positions, the positions figure was simply a rough figure to allow us peak employment, to get that number of staff years.

Subsequently, our case intake fell; the settlement rate shot upward; productivity increased, and for this and other reasons, the agency has been able to operate with a substantially lower number of full-time equivalent employees. So therefore, for 1985, we're simply showing a reduced level of positions to 3,000, which with the more normal 5 percent lapse would give the 2,850 full-time equivalent staff-years of employment that we compute is necessary to handle the increased caseload.

Senator WEICKER. Senator Proxmire.

Senator PROXMIRE. Mr. Chairman, first I want to apologize for not having been here earlier. You do a great job in these hearings. You're very faithful. I know they take a lot of your time. Unfortunately, this is the worst week that I've had in a long time. We've got to handle an Export Administration bill on the floor for the minority. I apologize. I'll talk to you about that later.

Senator WEICKER. Senator Proxmire, let me put it this way. You're the only other person I see around here, so you are a valued member. We appreciate it.

PROMPT HANDLING OF CASES

Senator PROXMIRE. Mr. Dotson, there seems to be a substantial difference between what you claim and what I'm reading in the press. For example, your justifications point out, and I quote, "the agency's

prompt resolution of the thousands of labor disputes that are voluntarily brought before it each year results in an immense benefit to the economy." The justifications also refer to the prompt action by which cases are resolved as the essence of the NLRB's effectiveness.

On the other hand an article in the New York Times, under the byline of Stephen Greenhouse stated that union officials and lawyers point to the backlog of cases at the NLRB as "the biggest in the Board's half century of existence" and as reaching "crisis proportions, quadrupling from 432 cases in 1978 to about 1,700 today."

Now this article seems to directly contradict what your justifications say about the prompt handling of cases. Who's right?

Mr. DOTSON. I think the apparent contradiction is accounted for by the fact that the overwhelming number of cases that the agency handled are resolved before reaching the Board, in the form of an appeal. And I have a submission on page 14 which shows that Board orders, in contested cases, account for only 3 percent total cases before the Board. So the current bottleneck has been with respect to that small percentage of cases before the Board.

BOARD PERFORMANCE

Senator PROXMIRE. Well, it is the contested cases that are the problem. That is what is worrisome about this chart. The article refers to a specific case in which a 62-year-old mechanic, who worked for a nonunion mill 20 years, waited almost 18 months following his dismissal to gain an NLRB decision that he was illegally discharged because of his union activities. However, at that point he had run through his bank account, was unable to find another job, and had been forced to live on early Social Security payments.

Are you satisfied with the Board's performance in that case?

Mr. DOTSON. I can't address that particular case, because I don't know the facts and the history of that particular case. I'm not satisfied with the performance of any case that takes that amount of time. Over the years, there have been bottlenecks in the Board's procedure at various places in the pipeline. At any time over the history of the Board, I think you could always find a few cases that represent what you might call questionable, and the reasons for it vary from case to case. It's something we're concerned about, aware of and working as hard as we know how.

Senator PROXMIRE. Of course the New York Times is a very important paper to us. It is regarded as one of the best papers in the country if not the best. When the Times cites this example, I wonder if your agency shouldn't be prepared to let us know whether this is an unfair example or whether it is typical. It would seem to me that this is an incident that, since it was covered in one of our most important papers, you would be aware of.

Mr. DOTSON. There are numbers of cases that for one reason or another have been there. When we have them brought to our attention, usually we do look into it, and we do have an inquiry, and we make

every effort to find out what the problem is in the particular case. The reasons can vary.

REASON FOR DELAYS

Senator PROXMIRE. Now labor officials say the case backlog helps management, because most cases on the Board's docket are unfair discharge cases such as the one that I've just cited, and such dismissals are meant to silence key organizers, scare their coworkers from supporting unions and defuse organizing drives. Would you agree with that analysis?

Mr. DOTSON. Some of the effects described may be true, but the suggestion that there is anything intentional about that is not right. Delay of a case of that particular kind has an adverse effect on everyone. Now the way backpay runs it also affects the employer. The employer needs to know where he stands with respect to his obligations. So I would say the effects are unfortunate for everyone.

CASE BACKLOG

Senator PROXMIRE. Of course in the case that I gave the man waited 18 months following his dismissal before he got an NLRB decision. It was a worker rather than a manager who was adversely affected.

Is it a fact that your case backlog is at a historical high?

Mr. DOTSON. The backlog has recently been increasing, so it is almost at an historical high.

Senator PROXMIRE. Well, the article that I read into the record indicated that the backlog had gone up enormously fast from 432 cases in 1978 to 1700 cases today. That seems to be an extraordinary increase over a short period.

What's the reason for that increase?

Mr. DOTSON. There are a number of reasons for it. The most immediate reason is the turnover of Board members. For a period of time, there was continuity and stability in the Board. People had been reappointed. The effects of that are that staff, familiar with Board members' positions on various issues, were able to move very quickly through preparation. When cases come into the Board they are assigned by the executive secretary to each of the five staffs, where the preparation of the case begins. Most cases are decided on panel decisons. When the Board member leaves, effectively, one-fifth of the pending cases are recycled to other Board members. People have to take a new look at it. That slows down the process. The new Board members come, they're more likely to take a longer, harder look at issues, and that slows down the decisionmaking process, both the Board member and the staff.

BOARD TURNOVER

Senator PROXMIRE. Have you had an extraordinary turnover with regard to Board members with past experience?

Mr. DOTSON. We have.

Senator PROXMIRE. Why?

Mr. DOTSON. Simply because people have not been reappointed. In the past 4 years, over half the time, the Board has had less than its total complement of five.

Senator PROXMIRE. Why is there such a delay in appointing Board members?

Mr. DOTSON. I can't account for that.

PROBLEMS CAUSED BY DELAYS

Senator PROXMIRE. Well, there's an old saying in the law that "justice delayed is justice denied." Isn't the long delay in deciding cases pending before the Board, denying justice to hundreds of workers?

Mr. DOTSON. I think it always causes problems. There's nothing necessarily new about it. As I said, there have been delays in other steps of the pipeline, and steps have been taken to correct them. We are taking steps to correct this problem, and I believe the Board within the next few weeks will reach a level of productivity that will compare favorably with its best levels of productivity ever. But there are other factors in the delay. The cases have increased over the years, and the percentage, the number of cases going up on appeal has risen, but they all have passed through the Board in the same system.

I think we also ought to give some attention to the number of cases coming in. That's probably the second largest factor. The largest historical factor would have been the effect of inflation on the Board's jurisdictional standard. The retail standard, for example, was set at $500,000. That would now be roughly $1.6 million. The nonretail standard which would account for most manufacturing operations has now tripled. So the Board is now having to take jurisdiction over employers very small in size, over which Congress apparently never intended us to be involved. The number of cases that I see that involve three, four, five employees with no possible impact on interstate commerce is tremendous.

RECOMMENDATIONS FOR REDUCING BACKLOG

Senator PROXMIRE. Well, you may want to recommend legislative changes in that area to the Congress. Has the Congress taken action on this problem?

Mr. DOTSON. There's some difference of opinion, but final view is, that the Congress would have to adjust the jurisdiction.

Senator PROXMIRE. Could you, for the record, submit to us the recommendations that you would make that would enable you to diminish your backlog and provide more prompt action?

Mr. DOTSON. I'd be happy to.

[The information follows:]

The backlog of cases before the National Labor Relations Board is the result of a number of factors, some of which the Board has control over, and others none at all. In addition to the matter of the dollar standards for jurisdiction, discussed in our oral testimony there are similar concerns over which the Board has no control. Most importantly, we have no fundamental control over the intake of new cases filed by the public. While the field offices (supervised by the General Counsel) actively provide in-

formation to the public to prevent the filing of clearly nonmeritorious cases, we do not refuse to accept any charge or petition which a member of the public insists on filing. And of course once filed, each case must be given proper consideration.

The backlog of cases before the Board has been increasing most noticeably since 1979 with the dramatic turnover of Board members. The arrivals and departures of Board members disrupt the casehandling process and slow down production, because new members naturally want to take a fresk look at old cases and issues. they also need time to become acquainted with the Agency's operations. When a member leaves, as many as one-fifth of the cases get recycled to the other members. While they may wind up agreeing with the departing member's position on those cases, each case has to be reviewed before a determination is made—and that takes time. Since December 1979, 11 individuals have served as members and the Board has had a full complement of 5 members only about half that time (28 months out of 50).

Thus the Board cannot stop the turnover of members; it cannot change the law regarding its jurisdictional standards; and it has no direct control over the filing of charges by the public or over the issuance of complaints by the General Counsel. However, the Board is actively addressing the factors which are under its control. There are areas where congressional subcommittees with oversight responsibilities for the NLRB might probe further and suggest some solutions. Whereas the Board does not have the authority to change these factors. Congress does.

Under the leadership of Chairman Dotson, the Board has undertaken a thorough review of the casehandling system that has developed over the years. Already several steps have been taken.

The Board is concentrating its efforts to issue decisions in lead cases which can free up the cases pending behind them.

The Board has also set a production goal of issuing 125 contested unfair labor practice cases in each of the remaining 7 months in fiscal year 1984. If successful the Board will issue 1,100 contested unfair labor practice decisions, nearly double the 602 issued in fiscal year 1983. This will nearly match the Board's all time high level of production reach in fiscal year 1979 of 1,185 decisions issued for ULP cases.

We are also concentrating on giving priority to personal hardship cases and to cases of long standing at the Board.

And, in recent months, we have agreed to follow a set of strict guidelines for completing separate concurring or dissenting opinions promptly after a majority draft has been approved. When a majority of the Board has approved a draft, the members who have not responded are given a prescribed period of time to circulate their opinions. If such opinions are not circulated timely, the majority draft will be issued as the Board's decision.

As for the so-called lead cases, the Board's policy is that all sitting members, as distinguished from a three-member panel, participate in lead cases. Decisions which are expected to serve as significant precedents deserve to be founded on the vote of an absolute majority of the Board. While this can sometimes be achieved among four members, it should be noted that with four members there is potential for a tie vote. Until we can issue a fully dispositive decision on a lead issue, the backlog will grow as other cases presenting the same issue are held up.

It should be noted that the Board's processes are burdened with a large number of cases which just shouldn't be there because they involve minor, technical violations of the act. If the Agency were not to pursue these *de minimis* cases, it is possible that the resultant reduction in the backlog would free the Board for even more effective action on the clearly important cases.

As sensitive as we are to the backlog, the Board's policy is not to rubberstamp decisions. We are doing our best to balance the interests of all parties in getting a fair resolution of their disupte within a reasonable period of time. With the realization of our current goals, we will be at a level of production as high as any of our predecessors.

COMPARISON OF MEDIAN TIME (DAYS) ELAPSED IN PROCESSING CASES

	Fiscal year—	
	1982	1983 estimate
Unfair labor practice cases:		
Informal agency dispositions: [1]		
Filing to:		
Withdrawal	26	26
Dismissal:		
No appeal	53	52
After appeal	91	90
Settlement or adjustment	33	32
Median for all informal	41	40
Formal agency dispositions:		
Filing to complaint	45	45
Complaints to close of hearing	250	152
Close of hearing to judge's decision	129	116
Judge's decision to Board decision	170	194
Filing to Board decision	633	627
Enforcement in U.S. Court of Appeals:		
Board decision to referral for enforcement	42	41
Referral to filing of petition	44	72
Petition to Courts of Appeals opinion	355	358
Board decision to Courts of Appeals opinion	450	454
Representation cases:		
Informal agency dispositions: [1]		
Filing to:		
Withdrawal	21	20
Dismissal	44	43
Closing after agreement for elections	58	58
Median for all informal	51	50
Formal agency dispositions:		
Filing to notice of hearing	8	8
Notice of hearing to close of hearing	12	12
Filing to close of hearing	20	20
Hearing to Board decision	200	220
Filing to Board decision	205	230
Hearing to regional director decision	19	18
Filing to regional director decision	41	40

[1] From filing of charge or petition to close of case.

NOTE: All 1983 figures and some 1982 figures are estimated; they are subject to change after final computer runs are verified.

PROCESSING CASES—TIME ELAPSED

Senator PROXMIRE. The table on page 20 of your justifications compares time elapsed in processing cases, but does not have the 1983 figures.

The calendar year ended 2 months ago. Why aren't those figures available?

Mr. DOTSON. That's because of difficulties with the computer. We'll have those as soon as we can get it straight.

Senator PROXMIRE. Can you provide that information for the hearing record, as well?

Mr. DOTSON. Yes, sir.

PURPOSE OF NLRB

Senator PROXMIRE. Mr. Dotson, the New York Times article that I cited earlier quotes you as saying: "It's probably smart to keep away from the Board. It's probably better for people to work their own problems out."

Wouldn't you agree that your agency is set up primarily to protect employees' rights to join unions in a counterbalance to the power of management?

Mr. DOTSON. Will you repeat the last portion, please?

Senator PROXMIRE. Wouldn't you agree that your agency was set up primarily to protect employees' rights, including the right to join unions, and that is in counterbalance to the power of management?

Mr. DOTSON. Not necessarily as a counterbalance to the power of management, but simply to have those rights. Sometimes it can be as against unions as well. I agree with the part to protect employees' rights, but not just to protect——

Senator PROXMIRE. Well, I'm sure there are occasions in which unions abuse their power, although I think that is exaggerated, but at any rate, the single worker goes up against an employer under many circumstances. If it's a very small company, it may be an equal match, but if the employer is a large company, it's very unequal, and I felt that one of the prime purposes of your agency was to protect the employees' rights under those circumstances.

Mr. DOTSON. That's true. It's to legitimize and protect the process of collective bargaining.

SETTLEMENT RATE

Senator PROXMIRE. Mr. Lubbers, in your prepared statement, you indicated that the settlement rate in cases found to have merit dropped from 99 percent in 1982 to 93½ percent in 1983. Put another way, cases that went to ligitation rose from 1 percent in 1982 to 6½ percent in 1983, more than a sixfold increase.

Now, why was there such a dramatic drop in settlements between 1982 and 1983?

Mr. LUBBERS. Well, I think to put that in perspective, Senator, the 99 percent was an extraordinarily high percentage rate of settlement for that year. The normal rate over the years has been around 85 to 86 percent. We instituted an intensive program of trying to achieve more settlement by involving more people in the regional office, including the regional director, in the settlement process at peak times. We emphasize this both to our staff and to members of the bar, representing employers and unions before us, of the desirability of settlement. At that time also, we had a rather long calendar at the administrative law judges' level, reaching a whole year, in many cases, before a case could be heard, after a complaint was issued.

So I think the drop from 99 to 93 was a drop of an extraordinarily high settlement rate back toward levels which are more normal and more expected. And in fact, we hope we can keep up with the 93-percent rate, but we're not entirely sure that we can.

Senator PROXMIRE. I'm sorry, sir. You are the budget officer?
Mr. VINCENT. Yes, sir.
Senator PROXMIRE. What's your name?
Mr. VINCENT. Lee Vincent.

UNOBLIGATED BALANCING LAPSING

Senator PROXMIRE. Mr. Vincent, I beg your pardon. The amount of money you had to turn back to the Treasury increased substantially between fiscal year 1982 and fiscal year 1983. In 1982, your unobligated balance lapsing was $54,000. In 1983, you returned $1,073,000 to the Treasury. Why the sharp increase?

Mr. VINCENT. The difference in 1983, Senator, was largely several factors. One was that our case intake did not come up to quite the level that we had expected. The second big thing was that in the budget, we had estimated a lower settlement rate than our regional offices and administrative law judges actually obtained. We needed fewer administrative law judges. And a considerable amount of our costs are out-of-pocket costs for case handling, the transcripts, the travel and the witnesses fees, the communications. When that kind of intake shortfall occurs, and when the disposition pattern allows us to avoid trials and formal work, we simply return that money.

Senator PROXMIRE. It's always good to see money not spent, but what does that amount to in relation to your appropriation for the year?

Mr. VINCENT. We had an appropriation of $126 million, and turned back slightly over $1 million in fiscal 1983.

FISCAL YEAR 1983 EMPLOYMENT

Senator PROXMIRE. Last year you estimated full-time equivalent employment—FTEE—of 2,750 work-years in fiscal year 1983, an increase of 70 over your 1982 total. In fact, your FTEE dropped by three below the 1982 total. What happened?

Mr. VINCENT. Again, there were—in 1983, there were no ceiling restrictions in the agency or within the agency's budget to produce that effect. There was simply the result of the effect that in some offices as vacancies occurred, there was not the urgency to hire, because the caseload simply didn't indicate it. We try to monitor it during the year, our operating plan, according to the actual case handling performance of the various divisions, and if the workload doesn't warrant it, we simply do not fill the vacancies at the same rate.

AGRICULTURAL LABOR

Senator PROXMIRE. Once again this year you are requesting language in your appropriations bill that would prohibit you from using appropriated funds to deal with agricultural laborers.

Is this language really necessary, and would you be compelled to use the money that Congress provides to handle disputes concerning agricultural laborers if we failed to include this language in the bill?

Mr. LUBBERS. I think the statute itself excludes agricultural laborers whose rights are protected by the National Labor Relations Act.

Senator PROXMIRE. Then you don't need the language?

Mr. LUBBERS. So why the language is in there, Senator, I don't know. There may be some technical reason in terms of the appropriation process in Congress, but I don't know.

Senator PROXMIRE. Will you check with your counsel and let us know if there is any reason to include that language in the bill again this year?

Mr. LUBBERS. Yes.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you, Senator Proxmire.

Further questions will be submitted for the record. Thank you all very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

HIGH SETTLEMENT RATE

Question: The budget justification points out that in FY 1983 the voluntary settlement rate was 93.5 percent. To what do you attribute this high rate?

Answer: The settlement rate the Agency achieved in FY 1983 is attributable to the increased settlement efforts the Agency began in FY 1982. During that year the Agency operated under severe fiscal restraints and Agency employees and managers did everything possible to conserve Agency resources. During that year the Agency made a special plea to the Labor Management Bar to assist during this very difficult time by resolving cases through the settlement process, thereby avoiding costly and time consuming litigation. During 1982 Administrative Law Judges became involved in the settlement process earlier by having a settlement conference several weeks before trial. Also, prior to trial, Agency Regional Directors, whenever possible, took time away from their otherwise full schedules to hold settlement conferences with the parties to ensure that all avenues of settlement were explored. These new programs along with the Agency's ongoing, already successful settlement program contributed to a significant rise in the settlement rate in FY 1982 and is also responsible for the high settlement rate the Agency achieved in 1983.

BUDGETARY VALUE OF SETTLEMENTS

Question: The Justification (p. 9) also indicates that each one percent increase in the number of settlements at the earliest stage of case handling results in a savings to the taxpayer of $1 million in litigation expenses. Can you explain this further and tell us if this is a matter which can be influenced by an increase in resources?

Answer: The estimate of a cost of $1,000,000 for each one percent decline in settlements was made by following cases through the formal stages of our processes; that is, through an Administrative Law Judge hearing, a decision by the Board and then enforcement litigation in a Circuit Court of Appeals. Recently we have settled roughly 12,000 cases per year, and a one percent decline would send another 120 cases through the litigation process. Some of those cases would, of course, be disposed of by our judges or by the Board without recourse to court enforcement.

Each trial is likely to be considerably more expensive than an informal investigation followed by a settlement. A trial involves a verbatim transcript, witness fees and witness travel, and the salary and travel cost of a staff attorney and Administrative Law Judge. The trial is followed by the writing of briefs to the judges, to the Board and, if necessary, to the courts, travel costs for court litigation, and, of course, the review of the complete record by Board Members and their staffs. We have not tried to allocate all the general overhead costs that would also be theoretically applicable to increased litigation.

These costs would not be influenced by an increase in resources. However, adequate resources, such as we are seeking in this appropriation, are necessary to allow our judges and our field offices to thoroughly prepare for and negotiate settlement agreements.

Of course if the disposition pattern of our cases becomes less favorable in the future, through an increased propensity of the parties to pursue litigation, we would expect to submit larger budget requests in consequence.

BOARD CASE INVENTORY

Question: We have been hearing expressions of concern over the size of your case inventory. What was your inventory in 1983? What is it at present? May we have for the record the case inventory numbers for the past 10 years.

Answer: The "case inventory" (average number of cases assigned and awaiting assignment) for FY 1983, and for the past 10 years is given below:

UNFAIR LABOR PRACTICE CASES

FY	Average Total On Hand	Average Number Assigned	Average Number Awaiting Assignment	Average Number Awaiting Exceptions	Average Formal Settlements
73	469	307	27	119	16
74	450	288	27	118	17
75	451	296	29	112	14
76	462	312	18	117	15
TRANS QTR.	520	361	10	130	19
77	598	429	14	139	16
78	592	416	21	135	20
79	619	416	31	143	29
80	624	424	24	146	30
81	784	584	32	134	34
82	919	740	32	126	21
83	1,019	833	23	151	12
84 (Oct.-Feb.)	1,383	1,119	30	134	20

REPRESENTATION CASES

73	186	124	62
74	174	154	20
75	203	182	21
76	225	207	18
TRANS QTR.	237	221	16
77	210	178	32
78	183	165	18
79	196	176	20
80	217	192	25
81	237	210	27
82	272	252	20
83	233	218	15
84 (Oct.-Feb.)	333	316	

ADDITIONAL EMPLOYEES

Question: You are requesting an increase of about 20 Full Time Equivalents (FTE's). How many employees are on board at present?

Answer: We have 2,743 employees as of February 29th.

Question: How will you use the 20 additional employees you are planning to hire in FY 85?

Answer: We are planning to hire a few more than 20 people. The number we hire will give us an average employment increase of 20 staff years. These employees will be used in our field offices where

the increase in cases is initially received. Most of this increase in cases will be disposed of in our field offices thus avoiding the need for formal litigation.

COMMUNICATIONS AND REPORTING COSTS

Question: We note that your costs for postage, FTS and reporting services are going up by a total of nearly $200,000. Why are these increases necessary?

Answer: These increases are what would be called direct, or out-of-pocket, costs which are costs incurred directly in the course of processing a greater number of cases. The largest component of these increases, court reporting, has actually been going down in recent years in terms of cost per page of transcript. So, in fact the cost increase in 1985 will be less than proportionate to the increased number of hearings we currently expect.

The cost of FTS calls, using the Government's own system, will go up because of the increased workload and because we have been more successful in reducing the calls made through more costly commercial lines.

TRAVEL BUDGET

Question: Travel of government employees is always a sensitive issue. Your agency is requesting additional travel funds of $99,000 for a total travel budget of $4,615,000. Why is all this travel necessary?

Answer: The most important factor in our case is that, even though our travel budget exceeds $4,000,000, over 80% of it is directly related to casehandling activities. More than 10% is for training and only a small portion is spent on speaking engagements and visiting offices for management purposes.

The casehandling travel consists of travel for our agents to investigate cases, negotiate settlements and election agreements, and conduct elections. It includes the travel of our attorneys, administrative law judges and witnesses to hearing sites and travel for our attorneys to appear in U.S. District Courts and the Circuit Courts of Appeals throughout the country.

To a limited extent the people involved in our cases come in to our offices, and we have been trying to hold more of our formal hearings in our Regional Office cities or other cities which are more accessible. But there is ultimately no alternative to our visits to the site where a case has arisen, to the worksite or to the homes of the witnesses, as we must secure evidence in the form of sworn affidavits.

What we concentrate on in every office, therefore, are the schedules and itineraries of our field examiners, attorneys and administrative law judges so that as often as possible more than one case can be handled on a single trip.

CONTROL OF TRAVEL COSTS

Question: What policies are in effect to keep unnecessary travel to a minimum?

Answer: Since the bulk of our travel costs are incurred in the course of handling cases in Regional Offices, we employ a system of quarterly allowances to each office, based on its caseload and its geographical size. Additional allowances are approved only when justified. A senior official in each office, usually the Assistant to the Regional Director, pays close attention to the staff's planned itineraries to look for opportunities to combine several tasks in a single trip. There is little occasion for employees, even those with annual travel orders, to travel without having their plans reviewed by supervisors.

We have, of course, made extensive use of special reduced carrier fares made available to the Government through GSA contracts. We have just installed a new reservation terminal system at headquarters to help us find the best means of meeting travel needs.

In recent years we have further emphasized careful planning of the scheduling of hearings by our Administrative Law Judges to enable assignment of more than one hearing on a single trip whenever possible.

As we noted in response to the previous question, the next largest part of our travel budget, after direct casehandling, is our training conferences. Some of the conferences are held here in Washington at reasonably priced hotels where our field employees can stay and have meeting facilities. Other conferences are held at various locations so that employees from a particular section of the country can be trained without extensive travel. In all cases we do not use a per diem or subsistence rate in excess of what is normally provided for that locality.

OFFICE SPACE RENT

Question: Despite the Administration's program to reduce government space costs, you are requesting $303,000 in additional funds. Can you explain the reasons for this increase and how you plan to respond to this space reduction initiative?

Answer: We have worked with GSA and OMB on a space reduction plan and our current goal is to reduce 42,000 square feet by 9/30/85. Our current 1984 cost is estimated to be $12,275,000 instead of the $12,900,000 originally budgeted. These costs will rise to $12,578,000 in 1985 due almost entirely to increases in the rate per square foot charged by GSA.

LABOR-MANAGEMENT ISSUES

Question: Press reports have recently said that 1984 will be a year of reckoning, as both labor and management enter negotiations in a tougher frame of mind. What are the implications for the NLRB?

Answer: For the past three or four years, our case intake has fallen substantially short of our estimates, so we cannot be as precise as we would like when we forecast our workload. However, we have found that over a number of years a downturn in the economy has produced new cases as members of the public seek a forum for resolving such issues as layoffs and difficulties encountered in collective bargaining. On the other hand, an upturn in the economy brings new business units into existence and creates the circumstances which give rise to new labor-management disputes.

As to the current labor-management factors that may be different from what we have encountered in the past, we would like to emphasize that from the very beginning of our investigation of each new case, our response is adapted to the specific situation presented to us by the parties to that case.

Thus, we think that our resources are adequate and our processes are flexible enough, whether in the informal investigative stages or in our formal litigation, that we can respond just as quickly to any new kind of issue which may come up. Here it seems particularly important that we emphasize that our well-known top priority is to settle cases by helping the parties reach a solution they can live with, without the destructive effects of further confrontation.

ROLE OF NLRB IN THE ECONOMY

Question: What part does the NLRB have to play in facilitating a healthy economy?

Answer: The preamble of the National Labor Relations Act, as amended, sets forth the purpose of reducing the losses that occur from economic disruptions. We believe that the peaceful process for

resolving labor-related disputes which is provided by the NLRB produces more benefits to the economy than we can readily compute.

We have seen many cases in recent years in which disputes in such industries as shipping and construction can cause the loss of huge sums of money during each day that such a dispute goes unresolved. Many of the disputes which do involve large, ongoing economic losses, both in wages and in business revenues, come to the NLRB as cases which are to be given statutory priority.

Such cases are given immediate attention, with a preliminary investigation as little as 72 hours from our receipt of a charge, and with continued prompt action when, for instance, an injunction is warranted during the further pendency of the case. Cases involving the alleged unlawful discharge of employees are also given priority as provided by the statute.

Ultimately, our contribution to the economy exists in those particular cases where there are measurable and significant economic losses which can be ended by prompt and effective action on our part. The economy is also aided directly by the very existence of our processes for effective dispute resolution and by the many cases in which matters are resolved long before the threat of, or occurrence of economic coercion. The 7,000 to 8,000 collective bargaining elections we conduct each year are all a highly preferable alternative to the disruptions of business and employment which would otherwise occur.

Questions Submitted by Senator Arlen Specter

NUMBER OF PENDING BOARD CASES

Question: What is the current backlog of cases before the Board?

Answer: On 1 March 1984 there were 1,435 unfair labor practice cases before the Board (1,236 assigned, 27 waiting assignment, 147 waiting exceptions, and 25 formal settlements), and 355 representation cases (338 assigned, 17 waiting assignment).

Question: Is this an unusually large number of cases?

Answer: In terms of the historical perspective, the pending caseload does comprise an unusually large number of cases. However it does represent a decrease over the number pending on 1 February 1984, and it reflects, in the Board's view, the beginning of the decline in the pending caseload.

CAUSES OF BACKLOG

Question: To what do you attribute this backlog?

Answer: The increase in the number of pending cases began in FY 1977, during the Carter Administration. A steeper climb began in FY 1979 toward the end of that Administration, and was largely due to Board Member turnover which began in December 1979. Since that time, 11 different persons have served on the Board and again in terms of the historical perspective this was unprecedented. There has been less than a full Board (5 Members) approximately 50% of the time in that period. Cases presenting major-policy issues were put to one side pending the arrival of a stable complement of Board Members. A large number of cases representing the full panoply of labor relations issues accumulated because of the flux of Board Membership, the large number of new Members taking a fresh look at a broad spectrum of issues, and the time needed for new Members to become accustomed to the Board's decision-making process. Today, however, notwithstanding that there are only 4 members in office, it appears that we are turning the corner.

Also contributing to the large number of pending cases has been the propensity of prior Boards to expand the Board's discretionary jurisdiction, the effect of inflation on the Board's jurisdictional dollar standards, prior Board policies that injected the Board into the minutiae of industrial life, and the sheer amount of work facing each Board Member: keeping up with intake is a realistic objective, but it takes Herculean efforts to get far enough ahead to reduce pending cases by a substantial amount.

Question: How many workers does this backlog affect?

Answer: It is not practicable to determine with any precision how many workers are affected by pending cases. Not every case involved discharged employees, although many do. Others involve bargaining situations, jurisdictional disputes, secondary picketing, election contests, etc. It is safe to say that thousands of employees are affected, and that for every case there is also an affected employer, union, or both. The Board has always operated in the knowledge that all of the parties to the cases, and the employees involved, are most anxious to receive the Board's ruling at the earliest possible time. In this connection, it should be remembered that today, as for many years past, more than 90% of the unfair labor practice cases are closed in a median time of 40 days. It is only in that very small percentage of cases that reach the Board when a delay is sometimes encountered, and the current Board is hard at work to reduce and eliminate delay at that level.

Question: On average, how old is a backlogged case ?

Answer: The current median age of unfair labor practice cases pending before the Board is 254 days from assignment to Board member. the current age of representation cases pending before the board is 177 days from assignment to Board Member.

BACKLOG -- ROLE OF ADMINISTRATIVE LAW JUDGES

Question: In the February 14, 1984 issue of the Daily Labor Reporter, you attributed the backlog of cases partially to complaints issued to the board that should not have been issued -- cases that lacked strong evidence or a strong legal basis.

But do not Administrative Law Judges screen cases before they are submitted to the Board to ensure that there is a valid complaint presented?

Answer: Administrative Law Judges serve as trial judges who hear the evidence with respect to all unfair labor practice complaints, make proposed findings of fact and conclusions of law, and issue recommended orders. In those cases which they find lacking in merit because of insufficient evidence or an inadequate legal basis, their recommended order is to dismiss the complaints.

Pursuant to Sec. 10(c) of the National Labor Relations Act, 29 USC, Sec. 160(c), and Section 102.46 of the Board's Rules and Regulations, any party may file exceptions to an Administrative Law Judge's proposed decision and recommended order, and the Board must thereupon render its decision with respect to all matters raised by the exceptions.

To the extent that parties accept the recommendations of Administrative Law Judges to dismiss complaints and file no exceptions to them, the Administrative Law Judges do screen out cases without merit. However, to the extent that parties file exceptions to those recommendations, the case must be considered by the Board in the same fashion as any other case. Thus, once a complaint has issued and gone to hearing, whether or not a case will require Board consideration depends upon the willingness of the parties to accept the disposition recommended by the Administrative Law Judge. It should be

emphasized that the Administrative Law Judge cannot keep a meritless case from being brought to the Board, thus requiring Board consideration.

The Administrative Law Judges also take a very active role in promoting the settlement of cases. In as many cases as it is feasible, the Administrative Law Judges contact the parties to a case by means of a telephone conference call before the hearing opens, so as to narrow the issues to be presented and assure that settlement possibilities are pursued. This is a fairly new program in recent years, and it has been very helpful. Our judges also explore settlements just before commencing formal hearings and are ready to recess any hearing at any point at which it appears that a settlement can be discussed.

METHODS OF REDUCING BACKLOG

Question: What can be done to eliminate this backlog of cases?

Answer: The backlog of cases pending in our Division of Judges has been substantially reduced over the last few years. In August 1981 the trial backlog had reached a peak of 3,166 cases in which complaints has issued and hearings were scheduled. That backlog resulted in substantial delays between issuance of complaint and hearing which in some Regions exceeded 1 year and in most Regions exceeded six months. Since then, due partially to a decline in intake, the trial backlog has steadily declined to about 1,281 cases (as of the end of February 1984). In no Region is it necessary today to wait as much as six months for a hearing date, and in most Regions the wait is three months or less.

In May 1980, the backlog of cases in which hearings has been held and were pending judge's decisions reached a peak of 646. The average delay between close of hearing and decision was 190 days. That backlog has also dropped substantially to 467 as of the end of February with an average delay of 155 days.

As the trial backlog has become increasingly current, judges now should be able to spend a greater proportion of their time writing decisions and making greater inroads into the decisional backlog and the delays in that stage.

In addition, to continue the reduction of these backlogs and delays we are considering the hiring of additional ALJs at such time as we are certain they will be needed. There are now a number of qualified candidates with labor law experience who have been found eligible by OPM. We are also considering the utilization of retired Administrative Law Judges to hear some of our cases, which is now possible under recently enacted legislation.

While it was otherwise in the past, Administrative Law Judge productivity and a shortage of qualified candidates for appointment are not now substantial factors contributing to backlogs and delays of decision in cases pending before the Board.

As for the Board itself, having issued a number of lead cases on major issues in recent months, the board is giving major consideration to the existing backlog. In February 1984, the Board issued 119 unfair labor practice cases and 49 representation cases. The Board has established a goal of issuing 125 or more cases a month during the last 7 months of FY 1984. If we succeed in meeting this goal -- and we believe we will -- the Board will issue over 1,100 contested unfair labor practice decisions, nearly double the 602 contested such decisions issued in FY 1983. This will not be far from the all time high of 1,185 such decisions issued in FY 1979, notwithstanding that the board is taking a fresh look at nearly every substantial labor relations issue.

FIRMNESS OF BARGAINING AGREEMENTS

Question: What is the purpose of a 3-year collective bargaining agreement, for example, if a company can simply terminate operations mid-term because of wage rates negotiated in that contract? Is there any sanctity to these agreements?

Answer: The term of a collective bargaining agreement is negotiated by the parties; it is not imposed by law. Similarly, the contents of those agreements is negotiated, not imposed. Termination of operations "mid-term" is governed, in the first instance, by the language of the agreements, and, in the second instance, by the operation of our bankruptcy laws. To the extent that there is language in the agreement and bankruptcy coverage common to other situations, collective bargaining agreements have the same "sanctity" as other contracts.

Question: Labor laws increase the cost of labor, generally. Businesses prior to Milwaukee Spring could move operations for economic reasons, aside from increased labor costs. Now businesses may move operations to a subsidiary for practically any reason except anti-union animus. But how does one distinguish between increased labor costs and anti-union animus now? And since labor laws invariably increase the cost of doing business, doesn't this now diminish the role that all labor laws are meant to play?

Answer: We are not sure of the validity of the question's assumption that Congress intended our present labor laws to "increase the costs of labor." Rather, we had understood it to be Congress' intent, through the National Labor Relations Act, to facilitate negotiation by the parties of employees' terms and conditions of employment. We had thought that this was to increase their flexibility to meet changing economic circumstances, not to cause constant pressure for increases.

To the extent that the question would elicit our interpretation of the Board's recent decision in Milwaukee Spring we think an answer would be unsuited to our judicial role. The decision does speak for itself. Further elaboration or refinement, we respectfully must suggest, should properly be left to subsequent decisions of the Board and courts.

Question: Unless specifically prohibited, under the ruling labor contracts will be interpreted to allow companies to move to a non-union facility mid-term; this undermines the sanctity of the collective bargaining agreement and upsets the careful balance between labor and management crafted in the National Labor Relations Act, does it not?

Answer: We would have to say here also, respectfully, that to the extent that the question would elicit our interpretation of the Board's recent decision in Milwaukee Spring we think an answer would be unsuited to our judicial role. The decision does speak for itself. Further elaboration or refinement, we respectfully must suggest, should properly be left to subsequent decisions of the Board and courts.

Questions Submitted by Senator William Proxmire

FURNITURE AND EQUIPMENT

Question: Your furniture and equipment budget is scheduled to increase from $531,000 in fiscal year 1983 to $588,000 in fiscal year 1984, a jump of 11 percent. Please explain the reasons for this substantial increase.

Answer: The majority of our furniture and equipment budget is

for the replacement of furniture and equipment that has outlived its usefulness. In the past the NLRB has relied heavily on renting equipment such as word processing, facsimile, copy machines and other automated equipment intended to save labor. The Agency has found in some cases it is more cost efficient to purchase some of this equipment. We feel that if we are to achieve a 4% productivity increase we must be prepared to purchase automated equipment to assist in achieving this goal.

The Agency also plans to purchase more equipment for use in the training lab. This will aid ongoing training programs and conferences.

JURISDICTION -- AGRICULTURAL LABOR

Question: Once again this year you are requesting language in the appropriations bill that would prohibit you from using appropriated funds to deal with agricultural laborers. Is this language really necessary?

Answer: The agricultural labor provision appears to reach back at least as far as 1944. In the course of the Congressional debate during 1946 concerning our appropriation for Fiscal Year 1947, while there were a number of interests coming to bear on the role of the NLRB in agricultural labor disputes at that time, what seemed to be foremost was a concern in Congress over the different definitions of agricultural labor which prevailed in various statutes. Thus it appears that a provision was added which was intended to conform the National Labor Relations Act to the definition contained in the Fair Labor Standards Act. It is difficult to tell what other factors were influential in bringing about this proviso.

Question: Would you be compelled to use the money the Congress provides to handle disputes concerning agricultural laborers if we failed to include this language in the bill?

Answer: If the current language were omitted, there might be some businesses whose operations could come under our jurisdiction. We have no way of knowing at this time how many such employers would be involved, because removal of this language would result in a definitional issue which the Board would have to resolve. This category largely consists of certain types of packing and processing operations which take place on, or close to farms. There would still, of course, be the restriction of jurisdiction over "any individual employed as an agricultural laborer" contained in Section 2(3) of our organic statute.

Question: Why haven't you attempted to change your underlying statutory authority to reflect your inappropriateness as a forum for farm labor disputes?

Answer: It has consistently been the practice of this Agency to refrain from advocating that Congress take action to increase our jurisdiction and our workload. Those industries which the Board has added to its jurisdiction, from time to time, by its own action have been those as to which the Board found no intended prohibition in the National Labor Relations Act.

NATIONAL MEDIATION BOARD

STATEMENT OF WALTER C. WALLACE, CHAIRMAN

ACCOMPANIED BY:

HELEN M. WITT, MEMBER
ROWLAND K. QUINN, JR., EXECUTIVE SECRETARY
ROY J. CARVATTA, STAFF DIRECTOR/GRIEVANCES
MARY C. PRICCI, ADMINISTRATIVE OFFICER

INTRODUCTION OF ASSOCIATES

Senator WEICKER. The next testimony that we will hear will be that of the National Mediation Board, to be presented by Walter Wallace, Chairman of the Board.

Mr. Wallace is accompanied today by one Board member, Helen M. Witt.

We welcome you, and have a seat.

Mr. WALLACE. Mr. Chairman, may I introduce my colleague, Helen Witt, a new member of the Board. Ms. Witt is from Pittsburgh, PA, appointed by President Reagan and confirmed by the Senate, as you probably know, in November. We are delighted to have her on board. I might point out that she will be the Chairman as of July 1 of this year. We have a rotating chairmanship.

Unfortunately, Mr. Harris is not here today. He is out of town on a mediation matter.

Mr. Chairman, may I just make a brief statement, a brief summary of where our agency is. We are pleased to be here to make our request for appropriation this year.

As you know, we are the agency that administers the Railway Labor Act. We are requesting $6,358,000, which is $120,000 larger than last year's request, and that is due primarily to mandatory increases.

One of the three main areas of concern is of course the mediation function and collective bargaining under the act. We are requesting $3,313,000 for that area.

The second function we have is of course arbitration, voluntary arbitration, under the Railway Labor Act, in the airline and railway industries, and emergency board procedures. We are requesting $584,000 for that area, the same as last year.

The third function is the supervision of the adjustment of employee grievances in the railroad industry, and in that area we are requesting $2,461,000 for fiscal 1985, and with that amount we certainly intend to carry through a full year, and not have the short years that we have had in the past.

That completes my statement. I will be happy to answer any questions.

AIRLINE AND RAILROAD NEGOTIATIONS

Senator WEICKER. What major negotiations do you expect during fiscal year 1985 in both the airline and railroad industries?

Mr. WALLACE. 1985 will be a heavy year in the airline industry, Senator. We expect negotiations with all major carriers with the exception of United.

We have in our prepared statement, I think, a listing of the carriers involved and the groups that we will be dealing with.

The railroad industry, as you probably know, will have national negotiations and that procedure has already started.

Their contracts, national contracts, are amendable on June 30, 1984, and we anticipate that it will run over into 1985.

We will have in addition to that, of course, Amtrak's negotiation, which will probably take place in fiscal 1985, too. But in the airline industry we see a heavier than normal year.

Senator WEICKER. The fiscal year 1985 request has an increase of $120,000, a less than 2-percent increase from last year's appropriations. According to your justification, $117,000 of this increase is for rent [SLUC].

Will you be able to maintain your effectiveness with what amounts to no increase in operating expenses for fiscal year 1985?

Mr. WALLACE. We believe we will be able to do that, Senator, in 1985. We have a cadre of mediators who I think are fully capable of handling this workload, based on past experience.

In addition, of course, we have a full complement of Board members for the first time in the last 3 years.

Senator WEICKER. Will you be submitting a supplemental request for recent pay increases effective during fiscal year 1984?

Mr. WALLACE. We will not, Senator.

Senator WEICKER. How do you plan to absorb that?

Mr. WALLACE. We intend to absorb that, the total amount of $65,000, to account for the pay increase. We will be able to absorb that with the way things are going currently, especially by delaying the filling of vacancies.

LAPSED FUNDS

Senator WEICKER. In 1983 you lapsed $517,000. Can you explain that?

Mr. WALLACE. Yes, Senator; $391,000 of that is money provided under the emergency board and voluntary arbitration aspect, and as you probably are aware, it is a contingency fund given to us. We can't predict the amount that we will need in any given year, and we did not use $391,000 for that purpose. In addition, $126,000, the remainder was not used because 1983 was not a heavy year, relatively, for mediation, and we turned that back.

There may be some inconsistency in the sense that at the same time we had a shortfall in the railroad adjustment grievance area, but the $126,000 was not enough to carry us through even 1 month. Our expenditures for the grievance adjustment run about $200,000 a month. In 1983 we operated on a short year despite the fact that we turned back $126,000 in mediation money.

Senator WEICKER. Over the past several years, there have been strong objections to several administration proposals to change National Mediation Board payment for free grievance arbitration.

Do you think Congress should change the law that requires the National Mediation Board to finance grievance arbitration in the railroad industry?

Mr. WALLACE. I do not. That is not a current proposal by the administration.

It is a unique arrangement, and it has been carried out for the last 50 years. I think it has been effective in many ways in resolving disputes, grievance disputes. It is said this arrangement is premised on a no-strike provision in the law. There cannot be a strike on the railroads due to grievances.

It is some cost to the Government, but in the overall I think it is a small payment to make to carry on something that has been a part of the railroad industry for so long.

Senator WEICKER. Senator Proxmire.

OTHER SERVICES

Senator PROXMIRE. Chairman Wallace, last year at this time you estimated that you would spend $352,000 on standard level user charges in 1984.

Mr. WALLACE. Yes.

Senator PROXMIRE. But this year the 1984 estimate has fallen to $250,000.

Why have your 1984 rental estimates changed so dramatically?

Mr. WALLACE. Senator, there is going to be a change, and we are going to reduce space in Chicago. The railroad adjustment board is headquartered in Chicago, and based upon a shortfall of approximately $220,000 of last year's budget we felt it necessary to cut back about 9,000, 10,000 square feet of space, which has been utilized by the partisan members of the National Railroad Adjustment Board.

I might point out, Senator, that that has been the subject of a lawsuit on behalf of the National Railroad Executives Association against the National Mediation Board, filed in 1982 in a district court in the District of Columbia, and it's still pending. It has been activated recently. At this date the court has not held a hearing on cross-motions for summary judgment.

Senator PROXMIRE. When you presented your budget to us last year, you planned to spend $185,000 on other services in fiscal year 1983. In fact, you ended up spending $61,000 on other services last year.

Can you tell us what caused the shortfall in other services expenditures?

Mr. WALLACE. Senator, I am advised that that amounts to $37,000 that we did not spend.

May I have——

Senator PROXMIRE. I have got a $124,000 difference. Your estimated expenditures were $185,000 and your actual expenditures dropped down to $61,000.

Mr. WALLACE. I don't have the 1983 figures with me, unfortunately.

Can Ms. Pricci answer the figure?

Ms. PRICCI. The Board decided not to spend the money for ADP expansion. We transferred funds to the grievance machinery under section 3.

Senator PROXMIRE. You transferred the fund into what activity?

Ms. PRICCI. We transferred the funds for the adjustment of grievances.

Senator PROXMIRE. I still don't understand.

Ms. PRICCI. The adjustment of railroad grievances.

Senator PROXMIRE. Oh, OK.

Now, your other services expenditures will go up almost fivefold between 1983 and 1984, jumping from $61,000 last year to $284,000 this year.

What is your explanation for the sharp increase?

Mr. WALLACE. Again, you have got me at a disadvantage for the 1983 figures. I have been dealing with 1984–85.

I am advised by Ms. Pricci that is an increase for ADP expenditures. I am sure you are aware we are going through a program for automatic data processing involving three phases.

The first phase involved trying to include our data on representation cases, entering that into the computer, to provide us with an historical base.

Second, we have also gotten into the area of property management. The third phase that we have gotten into is a matter of tracking the cases in mediation. This way we hope to have available information on cases and issues on a current basis.

Senator PROXMIRE. Well, you had a drop in your initial 1983 estimate but you project a very substantial increase in 1984.

What caused the delay in spending in 1983?

Mr. WALLACE. We were dealing with a shortfall with the adjustment of grievances in those years. I don't have the figures in front of me. But the problem is we did not have enough funds to carry out section 3, which is grievance arbitration.

So we have been transferring some of these funds to carry on as long as we could. But we still had short years up until last year. Also, included in this line item is money for reporting service required by emergency boards which was not used and returned to the U.S. Treasury.

Senator PROXMIRE. Thank you, Mr. Chairman.

PREPARED STATEMENT AND QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much. We will insert your statement in the record.

Senator Proxmire, if there are further questions for response, we will make them available to the record.

[The information follows:]

STATEMENT OF WALTER C. WALLACE

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for fiscal year 1985.

The total amount requested for fiscal year 1985 to administer the Railway Labor Act is for a personnel complement of 59 positions and $6,358,000, $120,000 more than is available in fiscal year 1984. The increase is due to mandatory changes.

The appropriation for the National Mediation Board is requested for expenses necessary to carry out the provisions of the Railway Labor Act, as amended. The Act is administered by the National Mediation Board. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries. Additionally, the Mediation Board handles questions of representation as they arise in these industries and interprets agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of disposing of grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 3 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of a least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for fiscal year 1985 we are requesting $3,313,000 and increase of $109,000 over last year due to mandatory changes. These services which are the responsibilities of the National Mediation Board, involve mediation relating to the making and amending of collective bargaining agreements, the selection by employees of their bargaining representatives, as well as a number of administrative duties consistent with statutory authority under the Act, and related statutes governing railroad and airline labor disputes procedures.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. In arbitration proceedings, disputes are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 10 of the Act. When the Mediation Board finds that a dispute threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their

employees. Under this procedure, the President would be required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two separate emergency boards, and a public hearing by the National Mediation Board, to help in resolving the issues in dispute. The Mediation Board is requesting $584,000 for these activities, the same amount as allocated last year.

As in the past we will continue to hold this amount in a special category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will remain unspent and lapsed at the end of the year.

Boards of Adjustment

As indicated earlier in my statement the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 3 of the Railway Labor Act.

In general, the amendment authorized the establishment of special boards of adjustment, known as public law boards, on individual railroads upon written request of either the representatives of employees or of the railroad to resolve disputes otherwise referable to the National Railroad Adjustment Board, and those disputes pending before the Board for one year.

Adjustment of Railroad Grievances (NRAB)

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of agreements rules. Administrative responsibility and fiscal expenditures by the Adjustment Board were placed with the National Mediation Board.

The total of $2,461,000 is requested for the disposition of grievances by the two tribunals. This is $11,000 more than what is available during Fiscal Year 1984. Due to the additional appropriation for Fiscal Year 1984, the elimination of Federally supplied office space for partisan activities of the dispute participants (with the savings used to pay for neutral referees), and in accordance with the congressional mandate, these services will remain available during the full fiscal year in both 1984 and 1985.

This completes my statement. If you have any questions, we will be happy to answer them.

Biography of Walter C. Wallace

Walter C. Wallace, Chairman of the National Mediation Board, has been active in labor-management relations for more than twenty-five years, having held key positions in both industry and government during that time.

Prior to joining the three-member board in October 1982, he practiced law and arbitrated labor-management disputes in New York City and Washington, D.C. He had been a partner in the law firm of Ables & Wallace in Washington, D. C.

From 1973-75 Mr. Wallace was President of the Bituminous Coal Operators Association, during which time he served as chief spokesman in coal industry negotiations with the United Mine Workers of America. For eleven years prior to that, he had held key positions with the Hudson Pulp & Paper Corporation in New York City (now merged into Georgia-Pacific Corporation) and, as vice president, was in charge of labor relations.

In 1960-61 Mr. Wallace served as Assistant Secretary of Labor for Manpower and Employment in the Eisenhower administration, receiving a commendation from the President for his accomplishments. Also in the 1960s he served with Ronald Reagan and George Bush on the Republican National Committee's study groups dealing with major issues.

Mr. Wallace was Executive Assistant and Chief of Staff to Secretary of Labor, James P. Mitchell from 1955-60. During that time, he participated in negotiations that created the Presidential Railroad Commission and later served as its general counsel.

During his career he has also served as a member of the board of directors of the National Safety Council, as U. S. Delegate to the International Labor Organization's Tri-partite Conference on the Timber Industry, and was a member of the President's Energy Council during the Ford Administration.

A member of the Bar in New York, California and the District of Columbia, he is admitted to practice before various Federal courts.

Mr. Wallace is a World War II veteran, having served with the 10th Mountain Infantry Division. He was awarded the Bronze Star during combat operations in Italy. After the war, he received a B.A. magna cum laude from St. John's College in New York and an LL.B. with distinction from Cornell Law School. At Cornell he was a member of the board of editors of the Law Review and Order of the Coif.

Born in New York City, he attended public schools there. He is married and has one daughter.

Biography of Robert O. Harris

Robert O. Harris, Member of the National Mediation Board (NMB), is a well-known labor relations attorney who previously served 20 years in key legal positions in the U. S. Senate and various Government departments and agencies. He served as Chairman of the Board from July 1, 1979 to June 30, 1980, and again from June 1, 1982 to June 30, 1983.

Before joining the NMB in August 1977, he served for six years on the Senate as Staff Director and Counsel of the Committee on the District of Columbia and, upon merger, Staff Director and Counsel of the Subcommittee on Governmental Efficiency and the District of Columbia, Committee on Governmental Affairs.

Mr. Harris from 1969-71 was Staff Director and Counsel of the Senate's Committee on Labor and Public Welfare, having previously served two years as Counsel on the Labor Subcommittee.

From 1961-67 he was Assistant to the Chairman, National Labor Relations Board. Earlier, he served as an attorney with both the Department of Labor and Department of Health, Education and Welfare.

Mr. Harris, who lives in Washington, D.C., received his Bachelor of Law degree from Yale University and a Masters in Law from Georgetown University. He also is a graduate of Harvard Business School's Advanced Management Program.

Biography of Helen M. Witt

Helen M. Witt, formerly an arbitrator and attorney, has been a Member of the National Mediation Board since November 1983. She is the first woman to serve on the Board since the agency's inception in 1934.

Prior to joining the three-member Board, Mrs. Witt had arbitrated more than 1,500 disputes in private industry. This included a number of cases in the transportation industry, including the railroads and airlines. She became an arbitrator in 1971 and is a member of the National Academy of Arbitrators.

Mrs. Witt had handled arbitration disputes for the Monongahela Railway Company, as well as for several railroads owned by U.S. Steel companies. She formerly served for five years as a permanent arbitrator on System Boards of Adjustment dealing with grievance disputes between United Airlines and the International Association of Machinists and Aerospace Workers.

Mrs. Witt served as Assistant to the Chairman, Board of Arbitration for the U.S. Steel Corporation and the United Steel Workers of America from 1975-1982. She was Special Arbitrator, U.S. Steel Corporation and United Steel Workers of America in 1974. And, two years earlier, she was appointed to the first Expedited Arbitration Panel formulated by the Coordinating Committee Steel Companies and the United Steel Workers under the 1971 Basic Agreements.

Mrs. Witt also has served on the State Department's Foreign Service Grievance Board, created under the Foreign Service Act. From 1970-74 she was engaged in the private practice of law with the firms of Cleland, Hurtt & Witt, and Witt and Witt in Pittsburgh, PA.

In addition to the National Academy of Arbitrators, she is a member of the American Bar Association and the Allegheny County Bar Association.

Mrs. Witt graduated with a B.A. degree from Dickinson College in Pennsylvania in 1955 and later received her law degree from the University of Pittsburgh School of Law.

Born July 13, 1933, in Atlantic City, N.J., she has lived in Pittsburgh since 1957. She is married to Edward A. Witt, an attorney, and they have three sons and two daughters.

Questions Submitted by the Subcommittee

RAIL AND AIRLINE LABOR PICTURE

Mr. Weicker: Given the continued rise in economic outlook, how would you describe the labor picture for this year in rail and airline industries?

Mr. Wallace: If the expansion in the economy continues, we anticipate that the airline labor unions will be less willing to continue the concessionary bargaining of the last year.

We believe that the nature of this round of national railroad bargaining cannot be predicted as most of the notices of changes desired have not been served on the parties.

Mr. Weicker: Do you expect any major involvement for your agency?

Mr. Wallace: The Board anticipates that its mediation services will be required by rail labor and management at some point in the current round of national rail bargaining. Because of the importance of national rail bargaining in terms of the overall economy of the United States, the Board Members themselves serve as the mediators in these disputes.

The Board also expects an increase in airline industry casework, particularly if the economy continues to expand and the carriers' earnings improve. Because of tough financial problems in recent years certain companies and their unions have agreed to one-year rollovers of the existing contract and have not used our mediation services. With an improving economy, they may go back to normal collective bargaining in which case they will presumably require our assistance.

BILDISCO DECISION

Mr. Weicker: How much of an effect will last week's Supreme Court decision (NLRB vs. Bildisco) concerning union contracts and bankruptcy have on the industries under your jurisdiction?

Mr. Wallace: There presently is some uncertainty regarding that decision because the Supreme Court stated that the Bankruptcy Code "exempts collective bargaining agreements subject to the Railway Labor Act" from the scope of its decision.

REFEREE SERVICE CURTAILMENT

Mr. Weicker: In FY 83 you had a curtailment of referee services of approximately 4 months.

Do you anticipate suspension of activity during FY 84?

Mr. Wallace: No. We are watching the situation closely but we expect that referee service will be maintained through the whole fiscal year. During the first quarter of 1984, the section 3 activity increased in part due to the curtailment during FY 1983 and prior years.

Mr. Weicker: Please describe the "Technical Assistance Program" and how it works to achieve a more cost-effective approach to management/labor disputes.

Mr. Wallace: It is a program to help parties solve the problems they may be having when they are not directly engaged in bargaining under section 6 of the Railway Labor Act. Incidentally, we found this helpful in dealing with disputes where bankruptcy was involved.

Mr. Weicker: How do you estimate the mediation work load?

Mr. Wallace: The Board has no sophisticated method and indeed there is no accurate way to estimate the mediation caseload. As you are aware, we have no effective control over the cases that we will receive in any given year. When making our estimates for incoming cases, we rely on two principal tools -- the collective bargaining calendar and past experience. We also have great difficulty in estimating with precision the number of cases that we will resolve in any given year. When we enter a bargaining situation we have no way of foreseeing how long it will take to reach a settlement.

ADP SYSTEM

Mr. Weicker: What is the present status of your ADP system? What are you requesting for FY 85 for this system? Is this request adequate to keep up with modern information technology.

Mr. Wallace: The National Mediation Board has automated three major areas of its operations. First, key information on the Board's representation cases, both historical and current, is in the computer system. This information has proven invaluable as an institutional memory of previous case handling by the Board.

Second, the Board implemented a system to automate the property management system. In addition, we are now able to generate purchase orders by computer.

The third major accomplishment is the development of a case scheduling system which permits the Executive Secretary to track the assignments of board representatives, as well as the status of unresolved cases.

For FY 1985, the Board is requesting $200,000 in order to continue automating the Board's diverse system of information. We believe this request is adequate to keep up with modern information technology.

MERGER OF NMB AND FMCS

Mr. Weicker: Please give us your opinion as to why the National Mediation Board and the Federal Mediation and Conciliation Service should be kept separate or -- do you believe that the two should be administered as a single agency?

Mr. Wallace: In my opinion, the National Mediation Board and the Federal Mediation and Conciliation Service should be kept separate. The monetary savings to be generated by consolidating the two agencies would be extremely small (the salary of the three Board members and their confidential assistants) but we believe that the ultimate costs could be considerable. The National Mediation Board has been involved in labor-management relations in the railroad and airline industries for fifty years. Over that time, the Board has gained considerable expertise in dealing with the unique problems found in these industries. The Board's cadre of mediators are specialists in rail and air labor relations. Were the agencies combined, this expertise which the parties value highly would be dissipated.

There is the further consideration that the National Mediation Board, unlike the Federal Mediation and Conciliation Service, has responsibility for the resolution of representation disputes within the railroad and airline industries. Under a combined agency it is difficult to determine how this responsibility would be handled.

NRAB SPACE

Mr. Weicker: What is the status of litigation involving space of National Railroad Adjustment Board Members in Chicago?

Mr. Wallace: Litigation is still pending in the U.S. District Court in Washington, DC, regarding the National Railroad Adjustment Board partisan members' office space. Railway Labor Executives' Association v. National Mediation Board and General Services Administration; U.S.D.C. (Civil Action No. 82-2757).

Mr. Weicker: What is the difference between a Special Board of Adjustment and a Public Law Board?

Mr. Wallace: Establishment of special boards of adjustment which have been in existence for four decades, requires mutual agreement between the parties, usually an individual railroad and a single labor organization. They consider and decide specifically agreed-to-dockets of disputes arising out of grievances. Special boards of adjustment generally are confined to disputes involving merger protective agreements and disputes national in scope.

Public law boards came into existence as a result of PL 89-456, which amended certain provisions of section 3 of the Railway Labor Act. These boards are established upon written request of either the labor organization or the railroad to resolve grievances not referred to the National Railroad Adjustment Board, and those grievances transferred from the National Railroad Adjustment Board.

The National Mediation Board appoints and compensates the neutrals to both boards.

Mr. Weicker: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for consulting services.

How do these amounts compare to FY 84 amounts for consulting services?

Mr. Wallace: Practically all of the amount listed in the object class 11.8, special personnel services payment, is for the payment of referee services under section 3 of the Railway Labor Act rather than for consultants.

Question Submitted by Senator William Proxmire

OTHER SERVICES

Mr. Proxmire: Your "Other Services" expenditures will go almost five fold between 1983 and 1984, jumping from $61,000 last year to $284,000 this year. What is your explanation for this sharp increase?

Mr. Wallace: For your information below is a table listing the items covered by this object class for the fiscal years 1983, 1984 and 1985. You will note that the greatest difference is for reporting services for representation hearings, emergency boards and arbitration boards. This service goes hand in hand with the contingency fund for emergency boards and arbitration boards.

25.0 Other Services	1983	1984	1985
Training	2,000	10,000	10,000
Reporting Service	16,000	136,000	136,000
Health Unit	3,000	3,000	3,000
ADP Software	17,000	15,000	18,000
Equipment Maintenance	18,000	70,000	80,000
NARS Study	5,000	—	—
Lexis	—	50,000	—
Total	61,000	284,000	247,000

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF HON. ROBERT A. ROWLAND, CHAIRMAN

ACCOMPANIED BY:

LARRY HOSS, DIRECTOR, OFFICE OF FINANCE AND ADMINISTRATION
PAUL A. TENNEY, CHIEF ADMINISTRATIVE LAW JUDGE

PREPARED STATEMENT

Senator WEICKER. Our next witness this morning is Robert Rowland, Chairman of the Occupational Safety and Health Review Commission.

Mr. Rowland will present the Commission's budget request for fiscal year 1985.

Mr. ROWLAND. Mr. Chairman, I have on my left Larry Hoss and on my right Paul A. Tenney.

Will you accept my statement for the record?

Senator WEICKER. It will be accepted for the record.

[The statement follows:]

STATEMENT OF HON. ROBERT A. ROWLAND

Mr. Chairman, I appreciate the opportunity to present for your consideration the fiscal year 1985 appropriation request in the amount of $6,143,000 for the Occupational Safety and Health Review Commission. This request represents an increase of $161,000 and a reduction of two positions from the resource levels approved by the Congress for fiscal year 1984. Current expectations are that the Commission will receive an estimated 1,500 new cases in fiscal year 1984 and 1,800 new cases in fiscal year 1985.

At the beginning of fiscal year 1983, the administrative law judges had an inventory of 519 cases. By the end of that year, there were 498 cases. The Commission members had 195 cases at the beginning of fiscal year 1983 and 148 at the end of fiscal year 1983. Our goal is to reduce the case inventory by fiscal year 1985 to a level that will allow a Commission decision to be issued within a timeframe of 4 to 6 months after a case has been directed for review.

The budget before you indicates an anticipated increase in the number of contested cases to be brought before the Commission in fiscal years 1984 and 1985. The expected increases are due primarily to cases presently resulting from fourth amendment issues requiring parties to exhaust their administrative remedies prior to recourse to the courts; adjudications under two new major standards in regard to asbestos and hazard communications and the expected continuance of the Occupational Safety and Health Administration to meet its projected schedule of development and implementation of other standards.

This concludes my statement. My staff and I are here to answer any questions that you may have.

BIOGRAPHY OF ROBERT A. ROWLAND

The Occupational Safety and Health Review Commission, an independent quasi-judicial agency of the United States, was established pursuant to the Occupational Safety

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and Health Act of 1970 to adjudicate contests initiated by employers or employees challenging enforcement actions of the Secretary of Labor.

Mr. Rowland, who was designated Chairman by President Reagan on August 3, 1981, is a native of Houston, TX. Prior to becoming Chairman, he was associated with the law firm of Mueller and Rowland, in Austin, TX, from 1962 to 1981. Mr. Rowland also served as assistant attorney general, State of Texas, from 1958 through 1962.

Mr. Rowland earned his bachelor's degree and LL.B. at the University of Texas in Austin.

CONTESTED OSHA INSPECTIONS

Senator WEICKER. Since 1978, the percentage of contested OSHA inspections has declined from a high in 1980 of 12.5 percent to a low of 2.4 in 1982, and I don't know what the figures are for 1983. But in any event, that drop is remarkable.

Can you explain what has happened, and will you please update the information through 1984 for the record?

Mr. ROWLAND. Well, this is a remarkable drop. OSHA, under the Carter administration, allowed regional offices to settle these cases.

Before that, all cases had to go into Washington. But now most cases get settled very quickly. After they allowed the regional offices to settle cases, they settled them before they filed the contest.

The big share of that decrease actually occurred in 1980. By February 1, 1981, the contested rate was almost down to where it is now. It was still on a vertical drop. It bottomed out approximately in April and June 1981. It has been fairly steady until the last 4 months. It has gone up 29 percent in the last 4 months compared to the same 4 months a year ago.

That is the reason for it.

Senator WEICKER. Now, the experience can still hold that these matters can be solved at the regional level?

Mr. ROWLAND. That is correct. Most are settled before the contest is ever brought to court.

PERSONNEL CEILINGS

Senator WEICKER. In fiscal year 1983 your agency requested 113 full-time equivalents. In fiscal year 1985 you are requesting 94 full-time equivalents, for a reduction of 19 full-time over the past 2 years.

Will that affect your ability to meet the mandate of the agency?

Mr. ROWLAND. I don't think it will. We are losing two of our personnel employees in fiscal 1985. This is because the administration decided to transfer the personnel services of the small agencies to GSA. We only had three personnel employees to start with, and two of those will be dropped.

Senator WEICKER. You say you expect an increase in contested cases in fiscal year 1984–85. Also, you are attempting to issue more timely decisions in cases directed for review.

So how is the reduction in personnel going to go ahead and affect that as far as your decisionmaking process?

Mr. ROWLAND. I think we have adequate personnel. Our judges are busy, but they could handle a lot more work.

It is just like any job. You undertake additional work, and you become more efficient. Our judges have in the past, and they can in the future.

GSA RENTAL COSTS

Senator WEICKER. Your rent charge is going up more than 50 percent. Can you explain that?

Mr. ROWLAND. Well, I don't know exactly the mechanics in GSA. We simply get charged a figure and we pay it. It is up sharply I think more than usual because of the freeze the Congress put on GSA last year. Our actual charges were less than what we submitted last year because of the freeze that was put on.

Senator WEICKER. It is not a matter of increased space needs. It is just the rent charges?

Mr. ROWLAND. We are cutting 7 percent this year and probably 2 percent next year. So it is an increased charge.

MERGER WITH MINE SAFETY

Senator WEICKER. Do you think your agency ought to be merged with Mine Safety Review Commission?

Mr. ROWLAND. I don't have a firm opinion on that and I don't think I am competent to make a judgment. I think there are a lot of considerations that are purely political and that there would be some problems on the legal side of it.

Senator WEICKER. I have no further questions.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Does Senator Proxmire have questions that he wants answered for the record.

Senator PROXMIRE. Yes.

Senator WEICKER. Then those questions will be submitted for the record.

Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Merging Two Commissions

* Your agency is getting so small, why shouldn't it be merged with the Mine Safety Review Commission?

* Couldn't some arrangement be worked out to save on administrative costs between these similar agencies?

MR. ROWLAND: Both agencies contract out for most administrative support, so real savings here would be small if any. Similarly, most of the other budget items would not be affected. The budget of both agencies are comprised largely of personnel compensation and standard level user charges. These items would not be affected substantially. The savings if any therefore would not be large and without some study and more information than I have, I cannot express a competent opinion as to the desireability of a merger.

* Since 1978 the percentage of contested OSHA inspections has declined from a high in 1980 of 12.5% to a low of 2.4% in 1982. This drop is certainly remarkable. Can you explain why this has happened, and will you please update this information through 1984 for the record.

MR. ROWLAND: This was due to an administrative change by OSHA in 1980 and does not accurately reflect a real decline in contested cases (see Answer #1). During FY 83 the percentage dropped to 1.8% and is expected to range from there to 2% through 1984.

* In FY 83 your agency requested 113 full time equivalents (FTE's). In FY 85 you are requesting 94 FTE's for a reduction of 19 FTE's over the past two years.

* Will this loss of personnel affect your ability to meet the mandate of your agency?

MR. ROWLAND: No. The loss of two positions in FY 1985 will not affect the agency's ability to meet its mandate. These are personnel support positions which will not be needed if the personnel support function is transferred to the General Services Administration as required by the government-wide initiative affecting all agencies of 200 or less positions.

* You say that you expect an increase in contested cases in FY 84 and FY 85. Also you are attempting to issue more timely decisions in cases directed for review. What will be the effect of the reduction in personnel on your decision-making process?

MR. ROWLAND: None. The reduction does not affect the review level staff.

CONSULTANT SERVICES

One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for the consulting services.

MR. ROWLAND: No funds are requested in FY 85 for Consulting Services. The Commission has not requested and has no plans to utilize funds for Consulting Services in either FY 1984 or FY 1985. The Commission has had no requirement for consulting service since FY 1976.

* How do these amounts compare to FY 84 amounts for consulting services?

MR. ROWLAND: There are no requirements for consulting services in FY 84.

Questions Submitted by Senator William Proxmire

Administrative Law Judges

SENATOR PROXMIRE: According to page 14 of your justifications, the number of cases reviewed by your administrative law judges has dropped dramatically from 6,370 in fiscal year 1980 to 1,152 in fiscal year 1983. Can you tell us whether there has been a comparable change in the number of administrative law judges. To be more specific, how many judges were on your payroll in fiscal year 1980 and how many were active in fiscal year 1983?

Why hasn't it been possible to make a more significant personnel reduction in that area in view of the decreased workload?

MR. ROWLAND: In FY 80 there were 46 ALJs with the agency. In FY 83 there were 22 ALJs.

There has been a reduction of more than 50 percent in the number of administrative law judges. The large number of contested cases in fiscal year 1980 included a large percentage of cases that were settled by the parties soon after they were put on the Commission's docket. Prior to October, 1980, OSHA required that all settlements be processed and approved in their Washington, D.C. office which caused enough of a delay to require that the cases be docketed with the Commission. Beginning in October, 1980, the regional offices of OSHA had the authority to settle cases. This allowed OSHA to settle cases before a contest was due to be filed and therefore they were not filed with the Commission. The number of contested cases for the month of September, 1980 was 770 and by the first of February, 1981 the number had dropped to 225. This large decrease in contested cases reduced the work load of the ALJ's primarily in what amounted to a formality or administrative function. The actual adjudicatory work of the ALJ's did not decrease proportionally. As a result the cases now being contested offer fewer settlement opportunities. The easy cases have been culled. While many cases do settle following contest, this occurs usually after the conduct of some discovery under the supervision of an ALJ. There has neverthe-

less been an increase in the proportion of hearings to total cases. In short, the need for administrative law judges has not reduced proportionately with the diminution of contests since 1980.

SENATOR PROXMIRE: Although you propose to cut your administrative staff to 18 in fiscal year 1985, administrative chores will still tie down 18 people out of a total staff of 94. That means approximately 19 percent of your staff will be involved in administrative duties. That seems quite high. Administrative staff is 12 percent of total staff at the Consumer Product Safety Commission, for example.

Can you cite examples of other Federal commissions or boards with high administrative staff ratios so that we can get some idea of normal operating procedure in this area?

MR. ROWLAND: Our administrative ratio is 9%. Staff assigned to the Office of the Executive Secretary (6 positions) and the Information Office (3 positions) organizationally report to the Executive Director (Administrative). However, these staff positions do not provide administrative support to other Commission functions. The Executive Secretary's Office processes all initial and final actions in the case processing system and the Information staff provides Freedom of Information responses and responses to inquiries from the public. These positions should be regarded as program oriented rather than administrative.

In any agency, a higher number of employees usually results in a lower administrative ratio. However, the Consumer Product Safety Commission, which has many more employees than the Review Commission, has a higher administrative ratio than our agency. It stands to reason that we should have a higher administrative ratio, but we don't. Our ratio of 9% is certainly not out of line.

Lack of knowledge concerning administrative staffing requirements of other agencies prohibits any response to what a normal administrative personnel ratio to other staffs might be.

Equipment costs

MR. PROXMIRE: In last year's budget submission you projected equipment costs of $5,000 in fiscal 1983 and $5,000 in fiscal 1984. This year's budget indicates that you actually spent $139,000 for equipment in fiscal 1983, but plan to spend $5,000 in fiscal 1984 and $5,000 in fiscal 1985. Why was your estimate so wide of the mark?

MR. ROWLAND: Normally, the Commission's annual budget request includes a $5,000 estimate for equipment purchase. This small figure is approximately the amount required on an annual basis to replace equipment items that become non-functional because of age and frequent maintenance requirements. During FY 1983, the Commission implemented and significantly upgraded the word processing equipment utilized in the Regional Offices. As a result of savings realized from a lower than expected new case load, funds were available within the Congressional appropriation which allowed this much needed upgrade to be accomplished.

SLUC Charges

MR. PROXMIRE: You are requesting $1,055,000 for standard level user charges in fiscal year 1985, an increase of 59 percent over your 1984 estimate. How do you account for such a substantial increase?

MR. ROWLAND : The $1,055,000 requested for standard level user charges in FY 1985 represents the amount that the General Services Administration has indicated will be required for reimbursement of office space rental costs. The Commission does not establish this cost. It is provided by the General Services Administration. The Commission is not requesting any increase in office space, but rather is in the process of reducing the amount of office space required for Commission staff. There has been a 27% reduction in total office space utilization since the beginning of FY 1983 and an additional 7% reduction will be accomplished during FY 1984. The 7% reduction actually reflects a 14% reduction in space occupied by the national office.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF MR. KAY McMURRAY, DIRECTOR

ACCOMPANIED BY:

RICHARD WILLIAMS, DEPUTY DIRECTOR
MARY DURKIN, BUDGET OFFICER

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Our last witness this morning is Mr. Kay McMurray, Director of the Federal Mediation and Conciliation Service, who will present the budget request for fiscal year 1985 on behalf of the Service.

Mr. McMurray is accompanied by Richard Williams, Deputy Director, and Mary Durkin, Budget Officer of the Federal Mediation and Conciliation Service.

Mr. McMURRAY. Good morning, Senator. Thank you.

Just to add a little bit of lightness, last year Dick Williams, who was then the Regional Director, had just been assigned to Washington, and you asked him several questions about why he left San Francisco. Please don't ask him too many questions today, because he'll want to go back.

Mary Durkin is my Budget Officer, and as a matter of interest, she comes from a long background of labor work. She is the granddaughter of Martin Durkin, who was the Secretary of Labor under Eisenhower's administration. So she has quite a bit of background.

I will just give a brief opening statement. Generally, our business is picking up.

OPENING REMARKS

The number of strikes throughout the country is increasing. This means that the economy is picking up. More and more things are getting back to normal. A lot of the unions made concessions and now they are trying to see if they can recoup them.

In fiscal year 1985, for example, we will have major contracts expiring in aerospace, coal mining, maritime, metal containing, trucking, garment, electrical manufacturing, health care, and construction industries. So it is going to be a very busy year.

And, of course, along with that we are continuing our technical assistance to the parties and our arbitration services.

In general, I come before you with a budget that is a hold-the-line budget. We have been able to make some changes and reduce the work force, so I feel very comfortable with it.

We are requesting a total of 362 permanent positions and $22,451,000 for fiscal year 1985. Despite the fact that we are holding the line, I feel confident that we will be able to handle the 15- to 20-percent increase in activity in 1985.

And with that, we will try and answer any questions you have.

PREPARED STATEMENT

Senator WEICKER. Thank you. We will insert your statement in the record at this point.

[The statement follows:]

STATEMENT OF MR. KAY MCMURRAY

I am pleased to appear before you and present the Fiscal Year 1985 appropriation request for the Federal Mediation and Conciliation Service.

The primary objective of the Federal Mediation and Conciliation Service is the prevention or minimization of labor-management disputes threatening interstate commerce or national defense throughout the Nation, both in the private and public sectors of the economy. The Service provides timely and intensive mediation assistance and encourages the development of new approaches, away from the crises of contract dead lines, for the solution of mutual collective bargaining problems.

We at FMCS believe that improvement in the economic climate will cause the labor-management parties to turn with greater frequency to third-party neutral services.

Dispute Mediation

We expect 1985 to be a bargaining year with continued emphasis on job security, work preservation and job guarantees (especially in those basic industries which have suffered the greatest cut-backs in the past few years). Health care costs and retirement programs will also be important issues in negotiations, along with the basic wage demands of the workers. Labor unions will attempt to recover contract concessions made over the last few years and the trend of fewer work stoppages, which has characterized collective bargaining since late Fiscal Year 1981, will be reversed.

In Fiscal Year 1985 there will be major contracts expiring in the aerospace, coal mining, maritime, metal containers, trucking, rubber, garment, electrical manufacturing,

food, health care and construction industries. As a result of these large contract expirations and the many smaller, but no less important contract expirations, we expect to handle 11,000 joint meeting cases in Fiscal Year 1985, an increase of 16 percent over this year (Fiscal Year 1984).

Technical Assistance

Technical assistance, also called preventive mediation, is as important to our peace-keeping mission as our dispute mediation efforts.

The major purpose of technical assistance is the long-term improvement of the labor-management relationship. The object is to encourage the parties to discuss their problems away from and without the tensions of a strike deadline or contract expiration.

Our involvement in this area is necessary if we are to be successful in achieving the agency's objectives. We expect to handle 1,000 technical assistance cases in Fiscal Year 1985.

Arbitration

The FMCS maintains a roster of approximately 1500 private arbitrators who are qualified to hear and decide labor relations questions (primarily grievances and disputes over contract interpretation). Upon request, lists of these arbitrators are submitted to the parties so they may select a neutral to hear their case.

The growing complexities of collective bargaining and the rising expectations of workers that will occur with the improved economic conditions may cause an increase in grievances. This increase will produce more of a demand for our arbitration services. We expect 36,000 panels of arbitrators will be submitted to the parties in Fiscal Year 1985.

Labor Management Cooperation Project

Continuation of the Labor Management Cooperation Project, which has provided grant funds to labor-management committees over the last four years, has not been projected in the appropriations request. This program is scheduled to be phased out at the end of Fiscal Year 1984. Whenever the committment among the parties is sufficient to form a committee with a chance for success, it is expected that the committment will also be sufficient to provide any needed financing. Of course, our mediators will continue to provide technical assistance to those wishing to form or maintain labor-management committees.

SUMMARY

Our Fiscal Year 1985 appropriations request outlines the challenges that the Federal Mediation and Conciliation Service is facing and the resources we feel are needed to accomplish our objectives.

The request includes a total of 362 permanent positions and $22,451,000 for Fiscal Year 1985. Despite the increases expected in dispute mediation, technical assistance, and arbitration, we are only asking for maintenance of the 1984 staffing level for these programs. The reduction of 3 positions and related funding reflects the discontinuation of the Labor Management Cooperation Project.

This request has been developed to use our current resources with the most modest staffing and funding levels possible.

I have presented only a brief summary of our activity. I am prepared to respond to your questions.

Biography of Mr. Kay McMurray

Kay McMurray, Director of the Federal Mediation and Conciliation Service (FMCS), was sworn in as the Agency's 11th Director on Thursday, July 22, 1982. He comes to the Service with many years of valuable labor relations experience.

In 1972 he was appointed as a member to the National Mediation Board (NMB). He served in that capacity until 1974 at which time he was appointed Chairman and directed that Agency's activities until 1977. From then until the time of his appointment to FMCS, he was an arbitrator with a private practice and full schedule of arbitrations primarily in the airline and railroad industries.

Prior to his positions with the NMB, he spent 18 years as the Executive Administrator of the Air Line Pilots Association (ALPA) based in Washington, D.C. From 1949 to 1953 he lived in his home state of Idaho, where he was assistant to the president of Inland Empire Insurance Company. During this period he was also a registered representative of the New York Stock Exchange.

Following attendance at flight school in the early 1940's, McMurray became a pilot for United Airlines where he achieved the rank of Captain. While working for United, he was a member of the pilot negotiating committee.

McMurray developed and operated substantial ranching and farming operations in Idaho during the sixties and seventies.

McMurray graduated from Stanford University in 1940 with a bachelor of arts degree in political science. He pursued post graduate studies in Business Administration at the same institution in 1947 and 1948.

McMurray lives in Bethesda, Maryland, with his wife, Roberta. He has three grown daughters, Kathleen, Julia, and Mollie.

Biography of Richard D. Williams

Richard D. Williams was named to the position of Deputy Director, Federal Mediation and Conciliation Service, February 3, 1983, by Director Kay McMurray.

Prior to this appointment, Williams was director of the Agency's Western Region, headquartered in San Francisco.

Williams joined the Service in 1963 in Chicago, where he served as a mediator for ten years. In 1973, he was transferred to Washington, D. C., for one year as a national representative, trouble-shooting difficult national labor-management disputes. He returned to Chicago in 1974 to assume that area's Regional Directorship. In 1979 he was assigned to San Francisco where he remained until his present assignment.

From 1951 to 1962, Williams was active as a union representative with Local 453 of the United Auto Workers, becoming an International Representative in 1963.

Born in Murray, Kentucky, Williams, 57, grew up in Illinois, graduating from Thornton Township High School of Harvey, Illinois. After two years in the Navy, he enrolled and graduated from Thornton Junior College. He attended the University of Illinois at Urbana majoring in mechanical engineering. He also attended the University of Chicago, completing a two-year course in labor-management relations.

Williams and his wife, Ethel, live in Columbia, Maryland. They have six grown children, five daughters and a son. Their youngest daughter, Carol, is in the Army, stationed in South Korea.

Biography of Mary Patricia Durkin

Mary Durkin is the Budget Officer for the Federal Mediation and Conciliation Service (FMCS). She has held this position since August 1983. For the eight preceding years, she served as a Budget Analyst with varying degrees of responsibility in the Service's Budget and Financial Management Division. She began her career with FMCS in an administrative capacity in 1973 and was involved in the mediator recruitment and selection process.

From 1969 to 1973, Ms. Durkin served as a clerk-typist with the Labor-Management Services Administration of the U.S. Department of Labor.

From June 1980 to October 1982, Ms. Durkin served as President of the National Association of Government Employees Local R3-118 at FMCS. She was instrumental in the creation of this local.

Ms. Durkin, a native of Washington, D.C., attended Academy of Holy Names and Montgomery College. She has served as an officer of the Society of Federal Labor Relations Professionals, and is now serving on the Board of Regents and the Foundation of the Academy of Holy Names.

ACCOUNT	1983 ACTUAL	1984 REQUEST	1984 APPROPRIATION	1984 REVISED REQUEST (Including supps. & rescis.)			1985 ESTIMATE (for each activity)	
					Perm. Pos.	Amount	Perm. Pos.	Amount
Salaries and Expenses	$22,015,000	$21,461,000	$23,161,000	Appropriation	365	$23,161,000	362	$22,451,000
				Supplemental for Civilian Pay Raise	--	97,000	--	--
				Total	365	$23,258,000	362	$22,451,000

Obligations by Activity

1. Dispute Mediation and Technical Assistance/ Public Information and Educational Activities...	286	$17,320,000	286	$17,597,000
2. Arbitration.....	11	513,000	11	521,000
3. Management and Administrative Support.....	65	4,118,000	65	4,183,000
4. Boards and Panels.....	-	150,000	-	150,000
5. Labor-Management Cooperation Project....	3	1,157,000	-	-
Total Obligations.....	365	$23,258,000	362	$22,451,000

ELIMINATION OF LABOR/MANAGEMENT COOPERATION PROGRAM

Senator WEICKER. Once again, you are proposing the elimination of the Labor/Management Cooperation Program for which Congress has provided funds since 1981.

What has been accomplished by these grants, and what is the 1984 funding level, and how many grants will be made?

Mr. MCMURRAY. Well, the honest answer to that question is that it is the administration's decision. I have some sympathy for it; the private sector ought to provide these funds, and I told representatives of the Office of Management and Budget this myself. I didn't ask for funding for this program because I am a good soldier, but also I am not going to lie to people either.

I happen to think that the money is good seed money. With $1 million in 1984, we will fund from 8 to 12 grant programs.

Senator WEICKER. What kind of programs are these?

Mr. MCMURRAY. Some of these are in-plant committees, where management and labor work, and some will be area committees where the labor and management people in a geographical area come together to improve the climate. And some are industry-wide labor management committees. We receive applications, grade them, make selections and provide funds. The average amount to each one is about $70,000.

Yesterday I called Peter Regner who is responsible for this program and asked him to give me an example of the results of these grants.

The example he used was Diamond International. They make fiber board cartons. The productivity in the plants increased by 14.5 percent, quality-related errors reduced by 53 percent, employee-initiated grievances reduced 47 to 72 percent, varying by each plant, absenteeism reduced by 32 percent, and days lost to industrial accidents reduced by 42.5 percent.

So we feel the effort itself is well worthwhile and almost a necessity in today's world, but it is not in the budget because of the administration's position.

Senator WEICKER. What did you get in the last fiscal year?

Mr. MCMURRAY. We received $1 million last fiscal year.

Mr. WILLIAMS. We also received administrative funds of almost $150,000.

Mr. MCMURRAY. When the original legislation was passed, $10 million was authorized. Congress appropriated $500,000 in fiscal year 1982–83, and this year you appropriated $1 million.

Is that responsive?

Senator WEICKER. It is.

In other words, if the committee on its own initiative were to keep that funding in there, it could be well utilized?

Mr. MCMURRAY. Yes, it could. We could use even more.

In today's world, the way bargaining is going, anything that builds an atmosphere of communication and trust helps us in our environment.

PAYROLL/PERSONNEL SYSTEMS

Senator WEICKER. Have you been told to contract out your payroll and personnel system to a larger agency?

Mr. MCMURRAY. Yes; I expect to go back to the Office of Management and Budget very shortly because our studies indicate that it would about double our costs. So, it looks like we are going to oppose it.

You see, Senator, we have put in a fairly sophisticated computer system to do our case control work, et cetera. Our computer work lowers our costs in the field. With that computer and the extra capacity it isn't very expensive for us to run our own payroll.

We feel that the figures themselves will say to OMB that we shouldn't contract out the payroll/personnel system.

UPCOMING NEGOTIATIONS

Senator WEICKER. Now you indicated at the outset of your statement that this is a rather large year coming up in terms of the industries that have negotiations.

Do you feel that you're adequately prepared—or what are you referring to, first of all, for year 1984 or 1985?

Mr. MCMURRAY. I am referring to 1985, although 1984 is picking up also, and, of course, the automobile industry negotiations will be opening. Sometimes we are not involved in that, but there is a lot of activity going on now.

Senator WEICKER. In the automobile industry?

Mr. WILLIAMS. In all industries.

Senator WEICKER. Don't you suspect that the end situation, such as the automobile industry, knowing what "was given up" and knowing the profits that are accrued that things might get pretty sticky out there in this set of negotiations?

Mr. MCMURRAY. They could, but there is another thing developing. The president of the United Auto Workers, Owen Bieber, appeared at a meeting that we sponsored in Phoenix a week ago, he made quite a strong speech, and said that he was going to recoup the concessions.

On the other hand, some people are aware that we have trouble in the international market. On the surface it looks like the negotiations may be pretty sticky, but underneath it looks like it may work out. So we can't assess yet how tough that is going to be.

The foreign market and the foreign auto makers are real in this country. For instance, General Motors and the UAW introduced a program where management and unions are sitting down together to start from scratch to determine where they will build a plant, what kind of an automobile they will make, the whole thing, to compete with the Japanese automobile. They are quite enthusiastic about it.

So with all of this underlying tenor, I expect the rhetoric, but I am not sure how tough negotiations are going to be when you get right down to it.

Senator WEICKER. All right.

Any further questions from other members of the committee?
[No response.]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There may be some additional questions from other members of the committee which we would like you to answer for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

]MEDIATION WORKLOAD[

Question: Your budget request indicates a number of major contracts will be expiring in 1985. Can you predict the trends of these negotiations? How will this impact on your mediation workload?

Mr. McMurray: During FY 1985, labor contracts will be expiring in coal, master freight, rubber, garment industry, meatpacking, food, and the electrical machinery manufacturers.

While concessionary bargaining demands may continue during 1985, there will be situations where workers try to recoup concessions granted earlier. Greater attention will be focused on health and welfare plans, as well as pension plans. Management may look for reductions in those plans or for unions to assume more of the costs. These issues could produce difficult bargaining.

We believe that the full mediation workforce of 243 mediators will be able to handle this increased workload.

Question: Have you ever been able to estimate the amount of money your agency has saved for the American consumer as a result of your mediation efforts to solve labor disputes?

Mr. McMurray: A study is now underway to more accurately measure the effectiveness of our efforts in dispute mediation and technical assistance. However, an effectiveness measurement formula that was included in previous budget submissions follows:

Program Effectiveness and Estimated Cost/ Benefit Evaluation

Endeavoring to relate the cost of operating the mediation program to the benefits achieved to the economy, in terms of work stoppages shortened or averted, is quite complicated because of the many imponderables present. The Bureau of Labor Statistics, as stated in its "Handbook of Methods," does not attempt to measure the cost of strikes in terms of the amount of production and wages lost because of the many complex and interrelated factors for which information is not readily available.
Based on certain assumptions, however, a rough approximation of cost effectiveness may be attempted although obviously no precise validation is possible. The following data, therefore, are presented with this important qualification in mind.

A. Wage Losses Eliminated or Minimized with Active Mediator Participation in Dispute Mediation Cases

1. Cases Settled Without Strikes as a Result of Intensified Mediation Efforts

In FY 1976, strike deadlines were postponed and/or joint meetings were held on deadline dates (on the initiative of the mediator) in 2,603 cases. In abou 2,012 of these cases, involving over 1,125,000 employees in the bargaining units, the additional time and intensive mediation effort prevented any strikes from developing. The potential strike-time loss avoided in these 2,012 cases was over 20 million staff-days, calculated by the use of the BLS average of 17.9 staff-days lost per worker in stoppages for calendar year 1975. Discounting this figure by 50 percent, on the basis that some postponements and subsequent settlements would have been reached without a mediator, or that strike duration would have been less than the BLS average, a conservative figure of 10 million staff-days saved is estimated.

2. Cases Settled Without Strikes Prior to Deadline Date With Mediator Assistance

In FY 1976, 4,737 additional active cases with over 1.2 million employees in the bargaining units were closed by FMCS mediators without strikes and without the necessity of postponement of strike deadlines and/or joint conferences on the deadline date. A conservative estimate is that strikes would have occurred in 20 percent of these cases (involving 20 percent of the workers) without mediator assistance and that the work time lost (17.9 as in 1 above), would have been over 4.3 million staff-days.

3. Strike Cases in Which Strike Time Losses Were Shortened Due to Mediator Assistance

That actual strike time losses are minimized by mediator assistance is a fair assumption. Referring to BLS data for 1974 for purposes of greater accuracy (Bulletin No. 1902), Federal mediators participated in the settlement of 2,531 strike cases involving nearly 1,620,000 workers and a total of 37,200,000 staff-days of idleness.

Assuming that these strikes would have persisted for three work-days longer in the absence of mediator assistance (a conservative assumption), it is estimated that

over 4.8 million staff-days of additional idleness were avoided.

B. Summary of Savings Due to Program Effectiveness and Estimated Cost Benefit Evaluation

In terms of staff-days, estimated total year strike time avoided is as follows:

1. Total Staff-Days Saved	(Staff-days in Millions)
a. Cases settled without strikes as a result of intensified mediation efforts by the mediator where deadline dates were postponed and/or joint meetings were held on the deadline date (A.1 above)	10.0
b. Cases settled without strikes prior to deadline date with mediator assistance. (A.2 above)	4.3
c. Strike time losses shortened due to mediator assistance (A.3 above)	4.8
Total Staff-Days Saved	19.1

2. Estimated Annual Wage Losses Avoided

At $40.56 per day (based on BLS data of average hourly earnings of $5.07 for manufacturing as of April 1976), the estimated annual wage losses avoided are $774.7 million.

3. Additional Savings

In terms of Gross National Product, the value of the production of goods and services lost could be several times as great as the estimated wage loss.

Beyond the estimated wage loss, there are other potential losses inherent in strike situations such as decline in earnings and income, reduction in Federal, State and local income and corporate taxes, etc.

In summary, the data points to a large benefit to the Nation's economy in relation to the funds expended for the Service's mediation program ($17,849,359 in FY 1976).

]LABOR-MANAGEMENT COOPERATION PROGRAM[

Question: Once again, you are proposing the elimination of the Labor-Management Cooperative Grant Program, for which Congress has provided funds since 1981. What has been accomplished by these grants?

Mr. McMurray: Since FY 1981, FMCS has supported the creation or expansion of 29 labor-management committees covering over 2 1/2 million employees across the country. Evaluation reports document that these committees have generally been effective in improving labor relations and in increasing productivity. To the best of our knowledge, all but one of these committees has continued to exist after FMCS funding expired.

Question: What is FY 1984 funding level and how many grants will be made?

Mr. McMurray: The FY 1984 funding level is $1 million in grant funds which should be enough to support an additional 8 to 12 committees.

Question: What level of funding will be necessary to provide the same number of grants in FY 1985?

Mr. McMurray: Another $1 million would support the work of 8 to 12 committees.

Question: If indeed, benefits and cost savings result from labor-management cooperation, what would it take to have these cooperative efforts adopted on a larger scale?

Mr. McMurray: The best way of getting these efforts adopted on a larger scale would be to demonstrate the effectiveness of such cooperation across the country and find additional funding from sources in either the private sector (from the labor-management parties themselves) or from the government.

Question: Did you request termination of this program or was this an OMB "suggestion"?

Mr. McMurray: OMB "suggested" it.

]SETTLEMENT OF STRIKES[

Question: Some claim that mediators do not pressure the parties enough to reach settlement and that perhaps mediators should have the power to impose settlements when persuasion fails, particularly in the public sector where strikes are prohibited.

What ideas or plans do you suggest for increasing the pressure points for settlements in strike situations which are not in the public interest or in no-strike situations such as those found in the public sector?

Mr. McMurray: The use of fact-finding, interest arbitration, and/or third-party recommendations could enhance the chances for settlement in public sector cases. However, because most states have laws governing public sector bargaining, changes in the status quo would require amendments to existing laws and regulations.

]NATIONAL SEMINAR[

Question: You have requested $179,000 for seminars, workshops and conferences. Why are these seminars, workshops and conferences important?

Mr. McMurray: In FY 1985, we plan to hold a National Seminar which will provide training for all mediators. This will be the first conference to be held since 1979. The seminar will showcase the latest and most effective techniques of mediation and technical assistance. There will be a free-flowing exchange of ideas among the attendees.

]OFFICE SPACE[

Question: Have you been able to meet the administrative goal of a 10% reduction in office space? Does this leave you with an adequate amount of space? If not--how has this or will this space reduction impact upon your program?

Mr. McMurray: Yes, FMCS will meet the Administration's goal of reducing office space by 10% and the agency will have space necessary to carry out its work. However, in a few field locations we currently have insufficient space and we are working with GSA to correct these problems and anticipate no long-range ill effects. It should be noted that FMCS reduced agency space by a total of 56% between 1979 and 1984.

]CONTRACTING OUT PAYROLL/PERSONNEL SYSTEM[

Question: Have you been told to contract out your payroll and personnel system to a larger agency? Will this change in procedure cause any problems?

Mr. McMurray: Yes, we have been told to contract out payroll/personnel unless we can prove that the in-house operation is more cost effective. We believe that we can demonstrate that maintenance of the in-house system is less expensive and we are preparing a response to OMB along those lines. The major potential problem with contracting for these services is that we believe there will be an increase, rather than a decrease, in costs.

]CONTRACTING OUT ADMINISTRATIVE PAYMENTS[

Question: Have you been told to contract out administrative payments to a larger agency?

Mr. McMurray: Yes, we have been told to contract out administrative payments to a larger government agency unless we can prove that the in-house operation is more cost effective.

Question: What will be the result of this procedure? Any problem with this? Please explain what problems this move may cause.

Mr. McMurray: We are in the process of examining the impact of such a transfer of this function. We have not yet done a thorough study but we believe there may be problems with accountability for government funds and with delays in payments.

]AUTOMATED DATA PROCESSING[

Question: Please give us a status report on the ADP conversion of your programs.

Mr. McMurray: We converted to our computerized case processing system on a national basis on October 1, 1983. After a hectic start-up, the system has been stabilized. A pilot test program, with each mediator in our Washington District (18 mediators) having microcomputer access for assignment and reporting, is also proceeding well. We successfully converted both our payroll and personnel systems to our in-house computer after four successful parallel runs and have run these systems for about five months.

In FY 1985 we also expect the yet-to-be developed arbitration computer system to be fully functional.

Question: Are you funded adequately to accomplish your FY 1985 goals?

Mr. McMurray: Yes, the Service's request for funding in FY 1985 should provide sufficient funds to accomplish our FY 1985 goals.

]GRADE REDUCTION, GRADES 11-15[

Question: The Administration has set a goal of GS grade reduction of 2 percent per year from GS 11-15. How will this impact upon your programs?

Mr. McMurray: While we hope this will not significantly affect our programs, it will increase the training and development time for new employees. For example, in the past we generally hired mediators at the GS-12 level. We have now dropped the entry level to GS-9 and GS-11 so it may take more time for this group of mediators to operate with the same degree of independence.

]CONSULTANT SERVICES[

Question: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services as well as a description of the need for the consulting services.

How do these amounts compare to FY 84 amounts for consulting services?

Mr. McMurray:

	FY 1984	FY 1985
Data Processing	$46,000	$34,000
Boards and Panels	24,000	24,000
Other Contractual Services	5,000	5,000

Funds will be needed in the data processing area for systems analysis and programming. Funds will be needed for special mediators and consultants used in health care Boards of Inquiry, the Atomic Energy Labor-Management Committee and other Boards and Panels. Funds will be needed for Other Contractual Services for ad hoc small studies and projects undertaken in FY 1984 and FY 1985.

Questions Submitted by Senator Arlen Specter

]LABOR-MANAGEMENT COOPERATION PROGRAM[

Senator Specter: At what level do you intend to fund the FY 1984 labor-management cooperation program?

Mr. McMurray: The FY 1984 funding level is $1 million in grant funds and $157,000 in administrative funds.

Senator Specter: How many labor-management committees are serviced at this level?

Mr. McMurray: This $1 million should be enough to support an additional 8 to 12 committees.

Senator Specter: Why do you fund public (i.e. city and state) labor-management committees with these limited federal resources?

Mr. McMurray: An analysis of the legislative history of the Labor-Management Cooperation Act by FMCS's Office of Congressional Affairs determined that it was Congressional intent that the public sector be eligible for grant funds. Such intent was specifically stated by Senator Javits when he presented the bill for a floor vote.

Questions Submitted by Senator William Proxmire

]TRAINING SEMINAR[

Senator Proxmire: On page 39 of your justification you indicate that you want to spend $179,000 to pay for travel to training seminars, workshops and conferences. Apparently you don't plan to spend any money for this kind of travel in fiscal year 1984 although you told us last year that you would spend $25,000 in the current year. What happened?

Mr. McMurray: The funds allotted for training seminars, workshops and conferences in FY 1984 were needed in what was considered to be more important program areas. The funds requested for field travel in FY 1984 were significantly lower than what we now believe we will need to meet the demands of dispute mediation, technical assistance and other field travel. By transferring the $25,000 in training seminars, workshops and conferences, we were able to partially cover the increased need for field travel funds.

Senator Proxmire: Why wouldn't it make sense to start with the type of $25,000 training seminar, workshop and conference travel program you proposed last year rather than jump immediately into a $179,000 project?

Mr. McMurray: Because it has been five years since our total mediator workforce has been convened as a group for training, we feel that it is imperative that a National Seminar be conducted. $25,000 in seminars, workshops and conferences would provide training for only 25-35 of our 243 mediators.

Senator Proxmire: On page 34 of your justifications you indicate that you plan to conduct a National Seminar in 1985. Where will the Seminar be held and how much will it cost?

Mr. McMurray: The location of the Seminar has not yet been determined. A committee has been formed to explore possible sites and members of the committee have been told that the site must be centrally located and cost effective. The cost of the Seminar is estimated to be $179,000.

Senator Proxmire: The Seminar apparently will provide training for all of the Service's mediators. Do they all need training? After all, the last conference was held five years ago and must have been attended by some of your mediators.

Mr. McMurray: FMCS has a highly decentralized organizational structure with most mediators in small offices. When they are working with the labor-

management community, they represent the Service in their actions and in their explanations and initiatives. Communication of policy and programs is essential to keep them aligned with the direction of the Service.

A national training session will prove extremely beneficial for all mediators. It will provide a forum for national management to discuss the direction of the Service. It will provide regional and district directors an opportunity to meet with their mediators and discuss regional and local programs and potential problems. Current bargaining conditions, different mediation approaches and technical assistance developments will be highlighted.

The Seminar will provide the national and regional management and the mediators an opportunity to spend a few days together discussing common concerns and interests, building a basis of relationships which make communication and program development a lot easier.

]PERSONNEL TURNOVER[

Senator Proxmire: On page 34 of your justifications you discuss the need for training new employees including mediators hired to replace retiring mediators. What percentage of your workforce generally and your mediator workforce in particular do you estimate will leave the Service in fiscal years 1984 and 1985?

Mr. McMurray: We are predicting an attrition rate of about three percent for our mediator staff and a slightly higher figure for the remainder of the workforce.

Senator Proxmire: What percentage left the Service in the last full year for which you have final statistics?

Mr. McMurray: Two and one-half percent of our mediators and eight percent of all employees left the Service in FY 1983. The eight percent figure is unusually high because a RIF was conducted during that time period and, while no one was involuntarily separated, some affected employees chose to leave FMCS for other opportunities.

Senator Proxmire: How do these attrition rates compare with the rate for the Federal civilian workforce as a whole?

Mr. McMurray: The attrition rate for the Federal civilian workforce for FY 1983 was 16.7 percent. Our rate is significantly lower than that.

]AUTOMATED DATA PROCESSING[

Senator Proxmire: Your 1985 budget projects an increase of $68,000 for maintenance of ADP equipment. That is a jump

of about 60 percent. Are these increased costs simply attributable to the fact that you will have 60 percent more equipment to service next year?

Mr. McMurray: The increase in maintenance costs is attributable to the following: maintenance of additional micro computers; maintenance for additional equipment acquired free from the GSA/ADTS excess program and an increase in the rates charged by vendors.

Senator Proxmire: Last year I asked you to project what your overall savings would be once your automated data processing system was in place. You said it was too early to project what costs savings would result. Didn't you have to do a benefit-cost analysis to justify the acquisition of the system and didn't that analysis quantify the savings that would result from implementing the system?

Mr. McMurray: A cost-benefit analysis was completed by the Federal Computer Performance Evaluation and Simulation Center. The analysis indicated that of three options:

(1) maintaining the manual system;
(2) teleprocessing, and
(3) an in-house ADP system

the in-house system would be most cost-effective.

Senator Proxmire: Can you tell us now, after a year's experience with the system, how much it will save the government?

Mr. McMurray: No, we cannot yet provide detailed figures on the savings to the government. The case control and mediator reporting systems were late being implemented and it is still too early to predict savings in these areas and other program areas yet to be computerized.

]AGE DISCRIMINATION MEDIATION PROJECT[

Senator Proxmire: I understand the age discrimination mediation project has already been completed by the Service. When will the results be available? Can you let us have a status report now?

Mr. McMurray: The age discrimination mediation efforts of the Service are a continuing program. We received a verbal report on the evaluation made by the Department of Health and Human Services in April 1983. In response to a number of inquiries we have made to HHS since that time, we have been told that the evaluation has not been published as yet.

We are now experiencing an increase in age discrimination cases. In FY 1982 there were 62 cases referred to FMCS and in FY 1983 we received 63 cases. We have already received 44 cases in the first five months of FY 1984. That increase is primarily a result of an increased number of cases in the food stamp program area and increased cases from the Department of Education. Twenty-four FMCS mediators received special ADA training in April 1983 and they are available for assignment to these cases. We estimate that mediation is successful in about 30 percent of the cases. While this "success ratio" may seem low, FMCS efforts save substantial time, effort and cost to the government by eliminating the need for a full investigation and court proceedings in those cases that are resolved through mediation.

SUBCOMMITTEE RECESS

Senator WEICKER. I thank you very much.

The subcommittee will stand in recess until tomorrow morning at 9 o'clock.

[Whereupon, at 10:17 a.m., Wednesday, February 29, the subcommittee was recessed, to reconvene at 9 a.m., Thursday, March 1.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 1, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:05 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Specter, Proxmire, Byrd, and Inouye.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

STATEMENT OF HON. RAYMOND J. DONOVAN, SECRETARY OF LABOR

ACCOMPANIED BY:

FORD B. FORD, UNDER SECRETARY OF LABOR
THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

OPENING REMARKS

Senator WEICKER. The subcommittee will come to order.

Today we will hear testimony from the Secretary of Labor, Raymond Donovan on his Department's fiscal 1985 appropriations requests.

Following this overview, we will then hear from Deputy Assistant Secretary Pat O'Keefe on details of budget proposals for the Employment and Training Administration.

Subsequent hearings next week will examine agency requests for the remaining components of the Labor Department.

Mr. Secretary, we welcome you once again to these hearings. Please proceed with your presentation in any way you care to.

Senator Specter has some comments to make first.

Senator SPECTER. I have just a very brief comment or two. I would like to start by complimenting the chairman for the dispatch in scheduling these hearings on this very important subcommittee, and for his early hour, notwithstanding the fact that it conflicts with his tennis game and with my squash game.

I have come this morning specifically—I have already had a brief conversation with the Secretary about problems of mine safety, which are of paramount concern to the Nation, but especially in Pennsylvania, where we had a very tragic accident in the past couple of weeks in Cambria County near Johnstown.

I regret I cannot stay long, because we have Mr. Meese this morning, but I did want to come and pay my respects and join you. Thank you.

Senator WEICKER. It is good to have Senator Specter with us. As soon as the Secretary is through with his statement, Senator, why don't you proceed with your questions.

Senator SPECTER. Thank you.

PREPARED STATEMENT

Mr. DONOVAN. Thank you, Mr. Chairman, for your welcome.

I have a formal statement which I will submit for the record and spare you the time.

[The statement follows:]

STATEMENT OF RAYMOND J. DONOVAN

I am apprearing before you today to discuss the Department of Labor's Fiscal Year 1985 budget request. Over the next several days, Departmental officials will appear before you to address the details of their individual requests. Today, I would like to highlight the most important aspects of the Department's budget proposals for 1985.

The Department is now requesting $8.8 billion in total funding authority through this Committee in 1985, of which $2.6 billion is derived by transfer from the Unemployment Trust Fund. Discretionary program funding requested totals $7.6 billion including $2.4 billion in trust fund transfers for State Unemployment Insurance and Employment Service Operations. The remaining $1.2 billion of the total request is needed to meet entitlement program requirements, including Black Lung Disability Trust Fund benefits and Federal Employees Compensation Act benefit payments.

For most employment and training programs operated under the Job Training Partnership Act (JTPA), our request for 1985 reflects continuation of the funding level enacted for the 1984 program year. As you know, the JTPA converted employment and training programs to a program year. Therefore, the funds requested for 1985 cover the period from July 1985 to June 1986. Of the total $3.6 billion requested for JTPA in the Training and Employment Services (TES) appropriation, over 75 percent or $2.8 billion is for grants to States. This includes $1.9 billion for the State Block Grants Program, $223 million for the state-administered Dislocated Workers Assistance Program, which is expected to serve approximately 93,000 persons in 1985, and $724.5 million for the state-operated Summer Youth Employment and Training Program which will provide a participant level of 718,100, approximately the same level as estimated for the 1984 program year.

My request for federally-administered JTPA programs accounts for $777 million of the TES request. The major portion of this request is for administration of the Job Corps at a level of $600 million, an increase of $22.5 million over the 1984 program year levels. Of the remaining $177 million, $131 million is requested to provide national level programs for certain groups with special labor market disadvantages, including native Americans, migrants and veterans and $46 million is for national activities, including program support. For 1985, we are not requesting funds in TES for administration of the Targeted Jobs Tax Credit (TJTC) program, but, rather are seeking these funds in the State Unemployment Insurance and Employment Services account, to reflect the basic operation of the program by the State Agencies funded by that account.

For the Older Americans program, we are requesting $317.3 million to fund approximately 89,000 participants. Beginning in 1985, we are requesting that the program's State grants, which amount to $69.8 million, be distributed by the Administration on the Aging (AOA) in the Department of Health and Human Services based on the formula contained in Title III of the Older Americans Act. The grants will still be used only for employment programs. Authority to make this change in distribution is contained in the

appropriation language now before the Committee. By allocating the State portion of the Title V Older Americans program to the AOA, the State agencies that now have to deal with us for one part of their program would then deal directly with the AOA for all titles of the Act, thus eliminating confusion and duplicative paperwork.

My request for State Employment Service grants is $740.4 million, reflecting a continuation of the amounts available to states in the 1984 program year under the formula grant system enacted for Wagner-Peyser activities. In addition to the inclusion in the Employment Services National program activity of the TJTC funding referenced above, I am also proposing other changes in the configuration of this account to reflect the fact that activities previously funded here are actually administered in other accounts. These changes place resources where they are managed. First, this account no longer includes a request for the state-operated veterans programs, the Disabled Veterans Outreach Program and the Local Veterans Employment Program. We are seeking funds for these programs under the Assistance Secretary for Veterans Employment and Training. Second, we have shifted out of this account, and into the Bureau of Labor Statistics request, the funding for local labor market statistics programs. In addition, the increase that you have already provided us in the 1984 program year for the JTPA Dislocated Workers Assistance Program, which we are asking be extended into the 1985 program year, is sufficient to enable us to continue training and employment services for workers dislocated as a result of imports. Thus, it is not necessary to repeat the one-time 1984 appropriation on this account for Trade Adjustment Assistance (TAA) training.

In 1985, $1.7 billion is needed to fund 49,000 staff years to operate the Unemployment Insurance program. In 1985, we will implement a quality control program to increase the accuracy of benefit payments. The staffing is based on a total unemployment rate of 7.6 percent and an insured unemployment rate of 3.3 percent in FY 1985.

In the area of mandatory programs, we are not requesting any new funds for the Advances to the Unemployment Trust Fund and Other Funds account. The Department projects that $3.1 billion of 1984 appropriated funds will be available for use in 1985, as these funds are available for a two year period. As our projected need for 1985 is $1.6 billion, we will have sufficient funds to cover our estimates.

My funding requests for the salaries and expenses accounts continue the basic thrust of the Administration to achieve efficiencies while at the same time, strengthening enforcement efforts by targeting the most severe problems and eliminating unnecessary regulatory burdens.

My request for staffing and related operating costs for carrying out the Department's various legislative responsibilities is $1.1 billion for 1985. Pay supplemental requests for 1984 total $5.6 million. The authorized position request for 1985 totals 18,712, a reduction of 680 below the comparable level of 19,392 approved in 1984. By far the largest portion of this reduction is in the Employment and Training Administration, where

a cut of over 300 positions from 1984 levels is being requested. In substantial part, this reduction represents the effects of the passage of the Wagner-Peyser Act of 1933. By increasing the responsibility of the states for programs within their jurisdictions, this legislation has reduced both the number of grantees for whom the Department has direct responsibility and the need for us to be involved in many of the details of program design and implementation, thereby reducing our staffing needs in this area. In addition, there have been across-the-board reductions in every agency as a result of management initiatives designed to streamline operations, reduce unnecessary overhead, and eliminate layering in field and national office administrative operations. A total of 247 positions are eliminated in 1985 as a result of these efforts. Other changes in staffing from 1984 to 1985 include:

-- An increase of 30 positions in the Labor Management Services area to expand labor management standards, and employee pension enforcement, and to strengthen cooperative labor management programs. The request in this area for 1985 is also reduced by amounts related to the Veterans Reemployment Rights program which is being transferred to the Office of the Assistant Secretary for Veterans Employment and Training.

-- An increase of 5 positions for the Pension Benefit Guaranty Corporation to keep pace with the increased administrative burden brought on by increased levels of plan terminations.

-- An increase of 41 positions is requested for the Bureau of Labor Statistics to continue work on the multi-year revision of the Consumer Price Index.

-- A reduction of 125 positions in the Mine Safety and Health Administration related to the reduced number of mines available for inspection.

-- An increase of 7 positions is requested for the Inspector General to provide for increased capacity in the Organized Crime area.

-- An increase of 5 positions is requested for the Women's Bureau to augment their efforts to improve the working conditions of women.

In summary, I believe that our 1985 budget is a responsible one, that reflects continued improvement in program administration, while at the same time being responsive to our legislative mandates and to the problems of the nation's unemployed. I will be happy to answer any questions that you have.

Biography of Raymond J. Donovan

On January 20, 1981, President Ronald Reagan nominated Raymond J. Donovan of Short Hills, New Jersey, to be Secretary of Labor. Mr. Donovan's nomination was confirmed by the Senate on February 3, 1981, and he was sworn into office on February 4, 1981.

In addition to being a member of the President's Cabinet, he serves on the Cabinet's Councils on Commerce and Trade, Economic Affairs and Human Resources. The Secretary also is a member of the President's Task Force on Regulatory Relief chaired by the Vice President, and many other senior governmental councils and committees.

Before becoming Secretary of Labor, Mr. Donovan was executive vice president of Schiavone Construction Company of Secaucus, New Jersey.

Born August 31, 1930, in Bayonne, New Jersey, he was graduated from Notre Dame Seminary in New Orleans in 1952 with a B.A. in philosophy.

From 1953 to 1958, he was associated with the American Insurance Company in New Jersey, serving as a representative in Essex and Hudson Counties until 1955, when he joined the company's Surety Department.

In 1959 he joined Schiavone Construction Company as a shareholder and vice president with responsibilities in all phases of construction and management. He became executive vice president in 1971 with broadened responsibilities in all subsidiary firms.

He became a member of the Ballantine Brewery Workers Union in 1950 when he was a summer employee of the brewery. In 1952 and 1953 he was a member of the Electrical Workers Union, IBEW.

During his association with Schiavone Construction Company, he had primary responsibility for labor relations, conducting negotiations on behalf of his company. In addition, he was involved in labor-related activities in the maritime industry, as well as in newspaper publishing, serving as a negotiator and developer of labor contracts for the New York Trib.

He is chairman of the lay board of directors of the Shrine of St. Josephs in Stirling, New Jersey, and chairman of the lay board of advisers of Missionary Servants of the Most Holy Trinity, a charitable and social work order of the Catholic Church. From 1973 to 1976, he was chairman of the board of Honesty House, a privately endowed home for treatment of alcoholics and addicted, in Stirling, New Jersey.

He is married to the former Catherine Sblendorio, and they have three children: Kenneth, Mary Ellen, and Keith.

Department of Labor
Appropriation Summary
($'s in Thousands)

	1983 Enacted	1984 President's Estimate	1984 Appropriation	1984 Revised Request	1985 Estimate
Employment and Training Administration					
Program Administration..	$ 127,970	$ 122,500	$ 118,567	$ 122,814	$ 111,122
TES.....	4,001,232	3,593,930	6,419,408	6,399,408	3,610,624
OA.....	319,450	277,100	317,300	317,300	317,300
FUBA.....	230,000	7,000	12,000	12,000	56,000
SUIESO.....	2,752,305	2,747,200	3,340,300	3,231,100	2,446,098
Advances.....	11,059,000	7,109,000	7,109,000	7,109,000	---
Total, ETA.....	18,489,957	13,856,730	17,316,575	17,191,622	6,541,144
Labor-Management Services Administration					
Salaries and Expenses...	58,012	64,130	62,136	60,022	61,186
Employment Standards Administration					
Salaries and Expenses...	173,690	186,215	186,057	188,872	192,379
Special Benefits.....	339,600	215,100	220,100	220,100	211,400
BLDTF.....	855,608	827,000	854,750	859,239	950,000
Total, ESA.....	1,368,898	1,228,315	1,260,907	1,268,211	1,353,779
Occupational Safety and Health Administration					
Salaries and Expenses...	206,549	210,860	212,560	212,560	217,752
Mine Safety and Health Administration					
Salaries and Expenses...	152,335	148,032	151,397	151,397	150,550
Bureau of Labor Statistics.	127,053	136,290	136,587	156,987	167,280
Departmental Management					
Salaries and Expenses...	103,941	105,233	104,901	96,383	99,970
OIG.....	44,968	43,907	43,407	43,700	43,765
VETS.....	---	---	---	121,594	122,172
SFC.....	67	200	67	67	200
Total, DM.....	148,976	149,340	148,375	261,744	266,107
Total, DOL.....	$ 20,551,780	$ 15,793,697	$ 19,288,537	$ 19,302,543	$ 8,757,798

HIGHLIGHT STATEMENT

Mr. DONOVAN. I would like to highlight for just a few minutes what is in this statement.

Basically, our request is $8.8 billion as far as our appropriation is concerned. It is a steady state budget.

There will be no requests for advances to the unemployment trust fund, due to the lower unemployment rates.

The salaries and expenses requests are down 680 positions from fiscal year 1984; 320 of that number is in ETA, which is primarily due to the implementation of the Job Training and Partnership Act; 247 of the reduction are related to management initiatives.

We consider this to be a very responsible budget. It is considerably lower than fiscal year 1984 because of the lower unemployment situation and the return to a 12-month funding cycle for JTPA.

I consider this to have been a good year for the Department. Unemployment is still too high, but improving rather dramatically. As you know, it is down from 10.2 in January to 7.9 at the present time.

Other economic indicators are improving. We are proud to say that JTPA was implemented on October 1 of last year, and in our view, is doing well.

Again, OSHA has done extremely well. We feel we have turned that agency around. The lost workday injury rate decreased from 3.7 to 3.4 injuries per 100 workers. That is a dramatic decrease, and we are very proud of those numbers and the progress.

We had a marked decrease in the number of mining deaths and accidents, despite the tragic accident that happened in Pennsylvania. We will be glad to go into those numbers.

Overall, it has been a good year. We have a lot of work ahead of us for the next year, and we look forward to attacking those challenges.

On my right, I should introduce Under Secretary Ford Ford.

On my left is Assistant Secretary Thomas Komarek. And, behind me is the majority of my staff.

Senator WEICKER. Thank you very much, Mr. Secretary.

Senator Specter?

Senator SPECTER. Thank you very much, Mr. Chairman.

MINE INSPECTIONS

Mr. Secretary, you and I were talking informally before the hearing began about the activities of the Mine Safety and Health Administration, and I had expressed to you my concern about the explosion in Commodore, Cambria County where three miners lost their lives.

And, a concern that I have Mr. Secretary, turns on my understanding that the Mine Safety and Health Administration has proposed a reduction in its mine inspection force from 1,895 to 1,796 during fiscal year 1985.

My questions are: Is that an accurate projection, and if so, what will that do to the question of mine safety?

Mr. DONOVAN. Senator Specter, the disaster in your State obviously upsets all of us. It is a terribly emotional wrenching of this Department, you, the mineworkers, and the mineworkers' union. But, I will start by generally saying those reductions will in no way affect mine safety in this country.

One of the obvious reasons for the reductions in inspectors is that there has been a decrease of about 900 coal mines since 1982 that are in operation in this country due to economic conditions and choice of operators. Since most of the resources are associated with inspections, it should be obvious to all of us that a reduction of 900 coal mines is a substantial decrease in our workload.

I assure you that the 99—and I believe that is the number—reduction of coal positions in no way will affect the safety and health of those miners. Only 63 of these represent actual inspectors. I wouldn't propose a reduction otherwise.

I want to add—I know you have to go to another hearing—I want you to get some input from Ford, who, incidentally, was our Assistant Secretary for MSHA before he became Under Secretary.

The record of MSHA for safety and health, the numbers on deaths and injuries are dramatically down since this administration came into office. We are proud of that, and we intend to keep that record going.

I did get your letter, in which you did a comparison between inspectors and incidents of accidents, and questioned whether it was coincidental. I hope my explanation tends to assure you that the workload is less and our commitment is as strong.

On the specifics of that mine disaster, I would like Ford to help Senator Specter understand what we are doing.

Mr. FORD. Certainly. Would you like for me to address any specific——

Senator SPECTER. Mr. Secretary, I accept your kind offer for the in-depth briefing, and we can do that off the record and pursue the matter at some length. I think that would be preferable.

Mr. DONOVAN. We would be happy to do that.

Senator SPECTER. If I may just ask two more questions, Mr. Chairman.

Senator WEICKER. Certainly.

FUNDING FOR THE CONTINUOUS WAGE AND BENEFIT HISTORY SURVEY

Senator SPECTER. I understand that the funding for the continuous wage and benefit history survey is again an issue. And I am very much concerned about that because the survey enables the Department to keep track of the characteristics of the work force, including unemployed workers receiving unemployment compensation. The data tells us how well Federal unemployment compensation programs, as well as job training programs are working.

There are some 17 States, as I understand it, which currently are compiling this data for this survey. Pennsylvania receives about $300,000 annually to gather this information.

Considering the problems of unemployment, and the problems with job training, it is an especially important aspect of statistical compilation from my point of view. And I would express the hope that we might be able to retain that in fiscal 1985. I would be interested in your comments, Mr. Secretary.

Mr. DONOVAN. It is a program for which we don't intend to request funds in 1985. As I am not as familiar with that program as I would like to be, I would like Tom Komarek to comment.

Senator SPECTER. Fine.

Mr. KOMAREK. In looking at our budget for fiscal 1985, obviously we had to make several hard choices. The Continuous Wage and Benefit History Program has been a program that has been ongoing for several years. However, the usefulness that we in the Department saw for the program was somewhat limited, and given that, we made the decision in our fiscal year 1985 budget not to request those funds.

JOB TRAINING AND EDUCATION

Senator SPECTER. I would like to pursue that with you privately as well, and I will bring back my conclusions to the subcommittee when we meet.

A final question I have relates to a subject which is within your jurisdiction in a general sense, although it may go to some other lines as well. And that relates to the opportunity for Federal funding for job training and education prior to being available for job training.

The issue was brought to my attention by Rev. Leon Sullivan, who is the national leader for Opportunities Industrialization Corps, an organization which, for more than two decades now, has compiled a really outstanding record of training young blacks and other disadvantaged. It exists now in many States across the Nation, having originated in Pennsylvania.

Reverend Sullivan has raised the issue with me and others that the job training funding does not permit resource moneys to be allocated for educational purposes and basic tutoring to bring some of these young blacks up to a level where they can receive job training.

And, I would be interested in your comments about the desirability of broadening the criteria on that program to have a greater reach for the use of the Federal funding.

Mr. DONOVAN. Senator, I don't believe there is anybody in this Nation who knows more about training than Leon Sullivan. I consider him a friend. I have spent many hours with him, and, as you know, we still fund OIC as a national community based organization. He puts his finger on something that I think is obvious, or should be obvious to all of us, that education is a critical part of movement from school to work. The lack of education, and the lack of synergism, frankly, between the Department of Education and the Department of Labor in some areas, I think needs review.

But, if I am not mistaken, under JTPA the Governors do have flexibility and the PIC's have flexibility in directing dollars into that basic

education that Reverend Sullivan is speaking to you about. I presume he is saying it may not be enough, but there are dollars available.

Senator SPECTER. He is complaining that the flexibility is too flexible. What he would like is a requirement that the funding be used in that important line.

This, again, is a broad subject. I just wanted to raise it this morning, and I would like to pursue that with you and your staff privately, and again bring the results back to the subcommittee. We may have a recommendation on the subject.

TRANSITION TO JTPA

Mr. DONOVAN. If I could just make one other comment.

During the transition period from CETA to JTPA, there is a learning process that has to go on, and it is going on out there. In the past, to put it bluntly, the Labor Department was one-stop shopping. With the new and historic approach under JTPA where the Governors have block grants, the dollars are out there. But you wear out a lot of shoe leather, if you are Leon Sullivan, to gather as many dollars going that route, than under the old CETA Program.

So that is part of what I think is almost a learning process. As a matter of fact, we have put on seminars at the Department of Labor for Reverend Sullivan's key people around the country to try to suggest ways they can get the Governors' attention in various States to accomplish these ends.

Senator SPECTER. I believe Reverend Sullivan is prepared to wear out his shoe leather. He has got mighty long strides and he has taken it all around the country. He'd like a legislative way, and perhaps an administrative way to have some requirement that some of the funds be used.

But, I am pleased to hear your favorable disposition, Mr. Secretary. We will pursue this further.

Thank you very much, Mr. Secretary and Mr. Chairman.

Senator WEICKER. Thank you.

Mr. DONOVAN. Thank you.

ETA STAFF REDUCTIONS

Senator WEICKER. All right.

In the enacted fiscal 1984 Labor-Health Human Services bill, Congress approved a rather large reduction of staff—over 200 jobs—in the Employment and Training Administration.

Now we understand that you have proceeded unilaterally to implement an even deeper cutback, eliminating over twice the number of jobs stipulated by this committee.

Since these deeper cuts appear to be related to your fiscal 1985 budget proposals, why are you making them in advance of congressional action on the fiscal 1985 Labor-HHS money bill?

Mr. DONOVAN. Mr. Chairman, as I said in my short opening remarks, there is an overall reduction of approximately 680 positions in the Department, and 320 positions in ETA.

There are two major reasons for the ETA reductions: one is the whole new approach under the Job Training Partnership Act. When we have block grants to the States where the States are designing and implementing the training programs, it obviously takes the burden off the Federal Government which has been doing it for years, designing programs, implementing them. The audit procedures have been streamlined to put more responsibility back onto the States.

And basically, the other reason is a reorganization of ETA itself.

Those are the major reasons for these reductions. And I would quickly say to you that through attrition and an active outplacement program in the Department—as an example, I put a freeze on all hiring throughout all other agencies, we are making a strong effort to place at least half of the 250 that would lose jobs under the RIF. The rest would be taken care of by attrition.

So, in essence, our goal is to place within the Department or other agencies, 125 of the 250 people in ETA who will be affected by this action.

COMBINING THE 1984 AND 1985 REDUCTIONS

Senator WEICKER. Again I repeat my question. You are taking action which in effect relates to fiscal year 1985. We are still in the middle of the 1984 budget. And the instructions of the Congress are rather specific. So, I don't understand what this unilateral action is all about. We have not approved of the fiscal year 1985 budget.

Mr. DONOVAN. I understand. We are trying to do it with one RIF rather than two that is the simple answer, Mr. Chairman.

Senator WEICKER. But, the fact is, that might be expedient, but it is not the law.

Mr. DONOVAN. I don't think we are breaking the law. If we are, I hope you will bring it to my attention.

Senator WEICKER. You are anticipating what you hope will become the law. Laws, you know, don't come to pass in this country in the budgetary sense, by virtue of what the executive branch does. It is a matter of the executive and the legislative. That is the process here.

And what you are doing, is to make an assumption that everything is going to go through as the executive branch has requested it for 1985. We haven't started fiscal year 1985, we have not enacted the fiscal 1985 budget. We are still on fiscal year 1984. And, indeed, that is the governing law right now. And I believe the figures were set rather carefully in the course of constructing that budget.

Mr. DONOVAN. Tom, why don't you broaden my answer.

ORGANIZATIONAL PROBLEMS DUE TO RIF

Mr. KOMAREK. Mr. Chairman, I was the financial officer in the Employment and Training Administration until recently. When we did our last RIF we saw the organizational management problems that are created as a result of any reduction in force, from a management perspective.

Our budget and our proposal points out that it would virtually destroy ongoing operations in the Employment and Training Administration to conduct one RIF say in June of this year and then another RIF sometime early next year.

Quite frankly, the problem in ETA these days is that with the Governors taking over the workload involved in the Job Training Partnership Act, we have employees who do not have work to perform, work that existed previously when the Comprehensive Employment and Training Act was in existence.

In proposing and planning to accomplish this RIF, we are simply saying that it is our opinion that it would not be wise to leave employees there who do not have a significant responsibility to accomplish.

PROCEDURE FOR CHANGED REQUEST

Senator WEICKER. Well, two things. First of all, procedurally you come in for a rescission, or you come in for a reprogramming. As staff correctly points out, your fiscal year 1984 budget requests for ETA called for 2,009 positions. That was the level that was funded as requested by you.

And now you are changing your own request unilaterally. That is what I don't understand.

I can understand how matters do change. But, let's first of all understand what we are dealing with here. We are dealing with figures that you requested. I understand there can be change, but there are procedures for that.

Mr. DONOVAN. Is it or is it not in your view, our prerogative? Is it your view that despite the fact that we asked for those numbers, as we see change during that fiscal year, that we cannot RIF without congressional action, or the seeking of a rescission?

Senator WEICKER. Jim Sourwine tells me that the report language in the bill that was passed, mandated 2,009 positions.

Mr. KOMAREK. I think another important point, Mr. Chairman, is that ETA does plan in their current budget, to expend most or all of their dollars in their appropriation, so that in coming in for a rescission—again we are getting into technicalities, I think—but as to coming in for a rescission, I am not sure what we would be coming in to have you take back. We will be spending most or all of the dollars that are in the current ETA budget.

Senator WEICKER. If, indeed, the Job Partnership Training Act has taken over many of the reasons for the ETA funding, are additional funds needed there? Was reprogramming in order? I mean, I don't know.

I must point out, I have no problem with the fact that matters change. Nobody is going to stick their feet in concrete, you know, pay out money for the sake of paying out money. But there are certain aspects of the law and certain aspects of procedure here that seem to me to be violated in a very highhanded way where we just move on

doing it the way you contemplate. And that is what I question at this time.

Mr. DONOVAN. I don't intend to be highhanded, and that is why I asked the question: Do we have that prerogative, or do we not? I would like that to be answered.

Senator WEICKER. Well, I think that we should sit on this matter. I think we better have our staffs sit down——

Mr. DONOVAN. I think that would be helpful.

Senator WEICKER [continuing]. And discuss it further, because I am not satisfied that this is being handled in a way that is acceptable to the legislative branch.

Let's see, as a matter of practice, whether we can work this out.

RATIONALE FOR WIN PHASE OUT

It is my understanding, for example, that you plan to reduce—moving away from the JTPA—that you plan to reduce staff administratively in the WIN Program from 88 to 10 by the end of fiscal 1984. How does this square, in your opinion, with congressional action to continue a program in 1984?

Mr. DONOVAN. First, in fiscal year 1985 we are asking for the WIN Program to be phased out. And I can go into the details for that and our rationale behind it, how we came to that decision.

Basically, it is based on what we consider—not only we, but GAO in their report of October 1982—consider $270 million spent on that program as not getting anywhere near the return that was expected.

The figures, if I recall them accurately, for fiscal year 1980 about 70 percent of the WIN registrants found their own jobs, only 50 percent attribute their job finding to WIN; and a good portion of those, more than half, never get off the welfare roles. And that was the whole point behind the program.

But in making the decision—and I understand the importance of your question as it is probably in the same area that you are questioning, are we are making a presumption that WIN will not be reenacted in 1985. And, as we go from 55—is it 55?

Senator WEICKER. Eighty-eight.

Mr. DONOVAN. Eighty-eight down to 10, we can argue or discuss whether we are presumptuous or not. But a lot of study went into how that decrease was going to take place and still provide adequate staff to continue to run the WIN Program in 1984.

RECORD ON LEGISLATIVE PROPOSALS

Senator WEICKER. I think it would be accurate to state—and I am not gilding the lily here, and I want staff to correct me if I am wrong—that a good 90 percent of the legislative changes which the administration expected to come to pass in the last fiscal year did not come to pass.

I think I am fairly correct about it. So much for presumption. They didn't come to pass. So, I think that is about the worst thing you can do.

As I stated repeatedly before those who testify before this committee, when it happens I will be glad to go ahead and correspond in the fiscal sense with the legislative action. But I am not making any presumptions around here.

And, let me say this, while I enjoy sort of tweaking the nose of this conservative administration, I think both of us would agree from the point of view of conservative fiscal practice, you do not make those presumptions. Rather, you presume what you have, if you are going to be fiscally conservative, and then indeed if it doesn't happen, you are in a better position to go ahead and turn it around the other way.

So, please, Mr. Secretary, don't make any presumptions on that score. I don't conduct a committee that way.

I will end on this subject, because Senator Inouye has some questions, and he has to go to another hearing.

By this unilateral action you have been taking, I do not want to be put in the position of advocating the legislation of personnel levels in appropriations bills. I think that is a lousy way to run a government. So, please don't put me in a position where I have no other choice to do that, or the committee has no other choice to do that, because I don't want to do it and I don't think you want that done, either. It is a last step, but I don't think it is a step we want to go ahead and take.

There has got to be a comity here between the two of us, in the sense of are working these things out so we don't get to that kind of point.

Senator Inouye, I hope you are pleased with the new gavel of the subcommittee. It comes from your State.

Senator INOUYE. It is not a warclub. [Laughter.]

It may seem like it from the discussion here.

PLIGHT OF AMERICAN SAMOANS

Mr. Chairman, I appreciate this very much. As indicated, I have to be at another hearing.

What I have to discuss very briefly this morning, may seem rather inconsequential considering the vast millions that are involved in this. I wish to speak for American Samoans, a small number of people who come from the Pacific Basin. But yet, these are people who are part of the United States. They may not be legally citizens, but they are nationals, a very unique status.

As you are aware, Mr. Secretary, there was a provision in Public Law 97–300, the Job Training Partnership Act, in which your Department was directed to develop a comprehensive report on how the Congress can most effectively meet the employment and training needs of American Samoans. I believe this report was due on October 1 of last year, but by mutual consent it has been extended.

As I pointed out, American Samoans are very unique among the peoples of the United States. They are nationals, they are not citizens. And they are also unique in the sense that unlike most Americans, as a group they have many, many serious problems.

For example, their poverty rate; the rate among the Samoans is the highest among all the peoples of the United States, whether they be Hispanics or blacks. Over half of the young people of Samoa have no high school education; less than one-third are fluent in English, and they are American nationals.

And as a consequence, as can be expected, the unemployment rate is extreme. Way above the national average.

REPORT ON AMERICAN SAMOANS

Various public health officials have reported that the rates of alcoholism, violent crime, depression are unacceptably high. So, the conferees in enacting the Job Training Partnership Act stated in the report, and I quote:

> The United States has a special responsibility for the Samoan people that grows out of the treaties of friendship and commerce negotiated in the last century, and the trust relationship created when the islands were ceded to the United States in the early 1900's.

I have just one question I would like to ask at this time, Mr. Chairman, and submit the rest:

What is the status of this report which was due on October 1?

Mr. DONOVAN. As you are aware, that report has been underway. We are spending approximately $200,000 to study the employment problems of the Samoans, and hopefully the employment opportunities of the Samoans.

I appreciate the agreement between us that we could have an extension. I believe it is going to be ready in August, but I am not certain.

Mr. KOMAREK. Senator, it will be ready in late July. Late in the summer, in any event. We will forward it to you as soon as it is ready.

Mr. DONOVAN. I will be glad to sit down with you after the report is in, Senator.

Senator INOUYE. I would like to thank the Department for its consideration. I know that the problem is a difficult one, and considering the many complex problems you have in your jurisdiction, sometimes it may be irritating to have a little small one like this.

Mr. DONOVAN. Not at all, Senator. And I agree with you, sometimes we can overlook a small group with terrible problems.

Senator INOUYE. These people are very important to me, so anything you can do to assist them would be appreciated, sir. And, Mr. Chairman, I thank you very much. I have other questions I would like to submit for the record.

Senator WEICKER. I want to thank the Senator. I think it ought to be noted that in terms of our responsibilities throughout the Pacific Basin—not just Americans in Samoa, but the other entities in that part of the world—they look upon Senator Inouye as their Senator. And as he said, their numbers are small both in terms of people served and in terms of dollars requested. And I will tell you, if the United States can't handle part of our national fabric in terms of these small dollars, God knows we are not going to do anything throughout the rest of the world that is going to have any significance.

So, I want to, first of all, compliment the Senator for the role that he plays, which is far broader than just being Senator from Hawaii. And also remind you that he is speaking for these people.

Mr. DONOVAN. I understand that, and we are very sensitive to it, Mr. Chairman. And that is why we look forward to the findings in this study. The dollars that we can make available after this study will be meaningfully used, and that will be a high responsibility of ours.

Senator INOUYE. I appreciate it very much, and as the Samoans would say, "Aloha."

Thank you very much, Mr. Chairman.

Senator WEICKER. Senator Proxmire?

Senator PROXMIRE. Thank you, Mr. Chairman.

POLITICAL TRAVEL

Secretary Donovan, in a Washington Post article dated Tuesday, February 14, it was stated, and I quote: "Secretary of Labor Raymond J. Donovan is making good on his promise to spend from 35 to 50 percent of his time on the road this campaign year."

The article went on to say the amount of this travel designated as political is "unspecified."

May I ask you how you define "political travel" and can you give some idea of how much political travel you will be doing in fiscal 1984?

Mr. DONOVAN. First, I said that just to frighten the Washington Post, Senator.

Senator PROXMIRE. Frighten the Washington Post? It frightens us Democrats more.

Mr. DONOVAN. I don't know, it depends on who you are talking to.

Senator PROXMIRE. That's true.

Mr. DONOVAN. It is difficult, or even impossible to say how much time we are going to be on the road. I know the critical importance of electing Ronald Reagan again for 4 more years, and I will make every effort to do that. Whether it is 35 or 50 percent, I don't know.

Now, how do I define political versus ordinary business? I think it is well defined. When I am on the road for Reagan-Bush, they will pay my expenses. When I am not, the Department will.

Senator PROXMIRE. But you are not sure under the definition how much time you would——

Mr. DONOVAN. I think the definition is quite plain. As I understand the new FEC regulation, if I were to mention the names Reagan-Bush, it would be a political speech. That is how strict it is.

Senator PROXMIRE. How much time did you spend on the road last year?

Mr. DONOVAN. I would have to check the records. I would guess about 25 percent.

Senator PROXMIRE. So, if you spend 50 percent of your time traveling this year, presumably it could be argued that it appears that you are spending 25 percent of your time on the road for political travel, is that right?

Mr. DONOVAN. Doing what?

Senator PROXMIRE. Traveling for political reasons. Last year not being an election year, and 1984 being an election year, I would presume last year would set a nonpolitical travel standard for you.

Mr. DONOVAN. I wouldn't call that setting a standard, no. That would be making a presumption.

Senator PROXMIRE. So if you spend twice as much time traveling this year, that doesn't mean you are spending any particular amount of time on political activities, is that right?

Mr. DONOVAN. It could work out this way; that I have three stops in a town, two are not political and one is. But the fact is if I mention Reagan-Bush at that third stop, Reagan-Bush has to pick up the entire travel.

Senator PROXMIRE. I'm not too concerned about that. The Reagan-Bush committee is loaded, we are very conscious of that.

What I am concerned about is your absence from your work. I am not saying that you would be absent excessively, but I want to be sure I understand how this would affect your work.

Do you believe that a Cabinet Secretary should limit his travel in any way because of the pressures of running a Department? If so, what limit have you set for yourself?

Mr. DONOVAN. It would very much depend on what Department, what the needs of the Department were at the time, and your own staff.

I happen to have a tremendously strong Under Secretary, which allows me to travel more.

It is a very, very difficult question to answer in any precise way.

Senator PROXMIRE. The reason I ask that is, of course, because you as Cabinet Secretary have a very important Department and you are paid to run that Department. You are expected to devote full-time to that job. I just wanted to be sure that I understood that you regard that as your primary responsibility in 1984 as it was in previous years.

Mr. DONOVAN. Very much.

And, if it puts your mind at ease any—and this is not an exaggeration—I have eaten at my desk all but six times this past year.

Senator PROXMIRE. Welcome to the club. I do the same. [Laughter.]

PRODUCTIVITY REPORTING

Mr. Secretary, last year Mr. Zuck, your Assistant Secretary for Administration and Management, told me that about one-half of the activities of the Department were covered by productivity reporting measures. He also indicated the Department was trying to revise and improve the existing measures, and was attempting to expand coverage to programs not currently being measured.

Can you tell us what progress has been made over the last 12 months, and how close you are to meeting the end of fiscal year 1984 target that Mr. Zuck mentioned last year?

Mr. DONOVAN. I can tell you this, that it is a high priority in the Department, and it is a high priority in the administration. Mr. Zuck did a

tremendous job, and for him to go back to the private sector after 25 years, was a loss to the Department.

I would like Assistant Secretary Komarek to respond as to how far along we are coming.

Mr. KOMAREK. Senator Proxmire, it was interesting that your observation at last year's hearing was echoed by the Grace Commission folks that studied the Department of Labor in the past year. One of their recommendations was that this is a program that should be pushed and we, in fact, are pushing it within the Department.

I will make two pertinent points, and then I will be glad to submit additional information for the record.

On the jobs which are currently rated in terms of productivity, we once again had a productivity improvement in the Department in the past year.

Second, we are now aggressively reviewing other jobs to determine if we can expand the base of jobs subject to the quantified productivity measures. Assistant Secretary Zuck referred to this effort last year.

So, I suspect that as we go forward we will have a greater and greater proportion of the jobs in the Department subject to quantified performance measures. Given the kind of work we do, there will always be some jobs in the Department for which you just can't quantify the output. But, that continues to be our objective.

Senator PROXMIRE. You are going to give me the details for the record, but my question was whether or not you can tell me if there was an increase over the past year in the percentage of your activities covered by reporting measures. Is it roughly 60 percent now, or 70 percent, or 80 percent?

Mr. KOMAREK. I would not want to give you a percent, sir, but I can assure you that it has been an increase.

Senator PROXMIRE. Has there been a substantial increase?

Mr. KOMAREK. I would say a marginal increase.

Senator PROXMIRE. A marginal increase. Have you set a target?

Mr. KOMAREK. We are in the process of assessing all the jobs in the Department. And, after we have completed that assessment we will have a target. We do not at this time.

Senator PROXMIRE. You have not set a target yet?

Mr. KOMAREK. No, sir.

Senator PROXMIRE. When do you expect to set a target?

Mr. KOMAREK. Within the next 2 months.

Senator PROXMIRE. You will let us know when you do?

Mr. KOMAREK. Yes, sir.

[The information follows:]

COVERAGE OF DEPARTMENTAL PRODUCTIVITY MEASUREMENT SYSTEM

For the past 15 years DOL has participated in the joint OPM, OMB, GAO productivity measurement and reporting system, and reported in accordance with BLS specifications. In 10 of those years, including the latest for which we have data, fiscal year 1982, DOL productivity has increased. The increase from fiscal year 1981 to fiscal year 1982 was 5 percent.

Over the years the coverage of DOL positions by this system has varied, with a general upward trend. For fiscal year 1981 45.6 percent of the activities of DOL reported that 39 percent of the DOL positions were covered by productivity measures. In fiscal year 1982 40.3 percent of the DOL activities reported that 54.9 percent of the DOL positions were covered. As we stated last year, the number of activities covered is not a very precise way of determining productivity. The more accurate measure, as used by BLS, is percentage of employee-years covered.

COMMITTEE ON THE PRODUCTIVITY AND THE QUALITY OF WORKING LIFE

Senator PROXMIRE. According to the Grace Commission task force report you referred to, the Grace Commission report on the Department of Labor, Secretary's Order 4–79 established a Committee on Productivity and the Quality of Working Life to assure that productivity was considered in the development of departmental policy. However, the last committee meeting was held on November 7, 1980. Why was this committee deactivated?

Mr. KOMAREK. The committee was deactivated because, at the point in time that it was in operation, the emphasis tended to be on items which were not really productivity related. It seemed that the committee was getting largely into, "should we have planters in front of the building," those kinds of things that get your golden fleece award.

We were interested in pursuing the productivity portion of that committee's mission, but not the additional planters for the front of the building.

Senator PROXMIRE. I appreciate that, and I am delighted with your reference to the golden fleece. But, why couldn't you continue the committee, and direct it in the precise way you have just described?

Mr. KOMAREK. Sir, I would again say that we are reassessing our whole productivity program, and we will give that serious consideration as part of the reassessment.

PRODUCTIVITY MANAGEMENT

Senator PROXMIRE. One of the recommendations of the Grace Commission was that you should reallocate a portion of the Office of Administrative Services and Management staff and budget to direct and control the development of individual quantitative measures and to coordinate productivity improvement programs throughout the Department of Labor.

Are you in the process of doing that?

Mr. KOMAREK. Yes, sir.

Senator PROXMIRE. The Grace Commission report concluded you could save $50.3 million over 3 years by improved productivity management as well as through the introduction of productivity improvement programs.

Do you agree with that estimate? Is it a fair figure?

Mr. KOMAREK. I think the figure is high. I clearly agree with the Grace Commission and trust we can make some savings in that area.

Senator PROXMIRE. How excessive do you think the Grace Commission estimate is?

Mr. KOMAREK. I couldn't give you a figure at this point. Again, at the end of 2 months when we complete our study of the possibility of establishing quantified work factors for different jobs, I think I would be in a better position to answer that question.

EDB EXPOSURE STANDARD

Senator PROXMIRE. Mr. Secretary, we have all been reading about the controversy over the use of the fungicide EDB on grain products. We also know that the Occupational Safety and Health Administration has been involved in setting a standard for levels of dust in grain elevators.

Can you tell me if a grain dust standard has been established?

Mr. DONOVAN. It has been proposed.

Senator PROXMIRE. Is your Department taking any action to reduce the exposure of grain elevator workers to grain treated with EDB?

Mr. DONOVAN. Yes.

We were involved in the health standard of EDB long before it became a matter of press initiative. There is a proposed regulation which dramatically drops the exposure limit. But I will have to submit the exact number for the record.

[The information follows:]

PROPOSED EDB STANDARD

The Department first announced its intention to regulate EDB with the publication of an advance notice of proposed rulemaking on December 18, 1981. On October 7, 1983, we published a proposal to reduce the permissible exposure limit for this substance from 20 ppm to 0.1 ppm for an 8-hour time-weighted average. In addition, the proposed standard contained a number of other provisions designed to protect the health of workers exposed to EDB on the job. In February 1984, the Department held public hearings on the proposal. The public hearing record was closed as of March 12. We are presently reviewing all of the comments and testimony from that hearing. We plan to promulgate a final standard in June 1984.

DEBT COLLECTION TARGET

Senator PROXMIRE. Last year Mr. Zuck told me that your debt collection target for fiscal year 1983 was $203 million, $20 million more than the previous year. Did you meet that target?

Mr. KOMAREK. No, sir, we did not. We collected approximately $175 million last year. The major problem we had, in the failure to achieve our objective, was a series of legal problems in terms of giving individuals their rights, giving organizations their rights. And this, in turn delayed our collection effort.

Senator PROXMIRE. So you even fell short of the year before. The year before you collected $183 million and you went down to $175 million in fiscal year 1983 instead of going up.

Mr. DONOVAN. Could I make a general point on this question, Senator?

Senator PROXMIRE. Yes, sir.

Mr. DONOVAN. When we arrived at the Labor Department and took on these responsibilities, in the area of CETA audits they were backed

up by 600, and not getting very much attention, if any. That backlog is now zero through the cooperation of the Inspector General's Office.

And we have found due to the Treasury, between $125 and $135 million. I consider that a praiseworthy thing. But, the collections are a problem because of the appeals process, et cetera.

But, I think the Department should be praised rather than chastised, if you don't mind me making that observation.

Senator PROXMIRE. I certainly don't intend to chastise you. I want to get the record straight.

Last year it was indicated that you have a debt collection goal of $203 million, and you fell short of it. You fell short of the amount collected the year before. That is just a matter of fact.

Mr. DONOVAN. Yes; but the activity in that area is still as strong as it was, and we continue to audit.

Senator PROXMIRE. What is your debt-collection target for next year?

Mr. KOMAREK. For fiscal 1984 the target is $185 million; and for fiscal 1985 it is about the same, $184 million.

Senator PROXMIRE. So, you are not expecting to improve your performance at all, really, over the 3-year period?

Mr. KOMAREK. One factor, if you will, in the deterioration and collection of debt, is also a very important point. The Department of Labor has been spending less money. As for example with the CETA Program, at one point in time it was a $9 to $10 billion program. Now we are talking about a program of $3 to $4 billion level.

Senator PROXMIRE. Doesn't that seem foolish from the standpoint of the Government? In other words, if you spend another $3 to $5 million and collect, $20 to $40 million, according to the figures we have before us now——

Mr. KOMAREK. Excuse me, Senator, you are not understanding what I am saying. It is, as a result of this current administration's reduction in the size of the Department of Labor's budget, we are spending less money for certain programs, such as CETA, and as a result, obviously, the misexpenditures are less.

Senator PROXMIRE. I understand that. I think that is a very good point, because all of us are against spending every cent we can. It seems also that all of us are in favor of spending that money which is a good investment for the Government and thus it would be foolish to cut money for collecting taxes if in doing so we would lose more than we would spend.

Mr. KOMAREK. I don't have the precise figures, but I can assure you that the number of staff people working on debt collections in the Department of Labor is higher today than it was 2 years ago. We fully understand the importance of this program.

Senator PROXMIRE. I am sure Mr. Donovan, as a very successful businessman, you would recognize when you have an investment that brings in more than it costs, you go after it.

Mr. DONOVAN. I can't follow that logic.

Senator PROXMIRE. You can't follow that logic?

Mr. DONOVAN. No.

Senator PROXMIRE. If you can spend money to bring in more than you spend, you don't spend the money?

Mr. DONOVAN. No; that's not what was happening under PSE, public sector employment.

Senator PROXMIRE. I'm talking about collections.

Mr. DONOVAN. I know. But a collection comes as a result of an audit for fraud, abuse, or misspent dollars. The less dollars you have out there, the less opportunity for fraud and abuse. That is the point Tom Komarek is trying to make. If there is a $100 billion program, and an average is 10 percent fraud and abuse, the numbers are related.

Senator PROXMIRE. OK.

Give me an analysis that shows that may be the case. I may be completely wrong. If you have that kind of a drop, a drop of 10 or 15 percent in your operations, then I can understand the drop in collections. I would like to see that documented.

Can you provide that information?

Mr. DONOVAN. I will, Senator.

[The information follows:]

RELATIONSHIP OF DEPARTMENTAL EXPENDITURES TO DEBT COLLECTION LEVELS

It is difficult to establish a direct causal relationship between the level of expenditures by the Department as a whole and amounts collected through the debt collection process. This is due, in part, to the often lengthy process of auditing programs to determine questioned costs, the time involved with administrative hearings and appeals and the actual collection of the amount owed once a final determination is reached. The time required for this is increasing in some program areas to as much as 18 months. Thus a significant proportion of debts collected in a given year represents program activity 1 or 2 years before.

Such a relationship exists for certain programs within the Department, such as those administered by the Employment and Training Administration. Misexpenditures of 1 percent of a $3 billion program are less than 1 percent of a $9 billion program. That lower level of misexpenditures in turn translates to a lower level of unallowable costs and ultimately a lower level of debt collections.

Other factors also influence the level of debt receivable in a given time period. An example would be certain types of receivables, such as pension plan assessments by PBGC and fines and penalties assessed by MSHA and OSHA which can be significantly affected by factors outside the Department, such as the general level of business activity or the state of the economy.

BLACK LUNG CLAIMS BACKLOG

Mr. DONOVAN. Plus, we have caught up on that backlog of audits. That is another major factor.

Senator PROXMIRE. Mr. Chairman, I have another 3 or 4 minutes of questioning. I don't want to impose on you or the Democratic leader, who is present. I will pass now, but I would like to return to my question.

Senator WEICKER. Fine.

Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Senator Proxmire, I have no problem. If you wish to proceed, go ahead.

Mr. Secretary, we have talked from time to time about our black lung benefits, about the problem of processing claims, and about the black lung clinics in West Virginia.

We are concerned over the length of time that it takes to process black lung claims through the appeals process. And, one item of concern is the estimates, included in the budget on the number of claims that the Department expects to receive and process.

Each year, I believe we get projections that are too low, and I want to see if I can this morning, get more precisely what the projections are so that this subcommittee and the full committee will better know how to approach the matter of funding.

In 1984, the Department of Labor budget justification estimated at 11,000 new claims in fiscal year 1983 and 10,000 new claims in fiscal year 1984.

That same budget justification projected 3,800 administrative law judge hearings in fiscal year 1983 and 8,000 hearing referrals in fiscal year 1984. And yet, according to your fiscal year 1985 budget justification, 16,213 new claims rather than 11,000 were filed in fiscal year 1983. And your fiscal year 1984 estimate was increased to 14,500 rather than 10,000 as was projected.

The actual number of hearing referrals in fiscal year 1983 was 7,131, rather than 3,800.

In each of the cases, each of the instances I referred to, your estimates were very low. I now have a copy of the Department's February 1984 letter in response to this subcommittee's directive for a report on the adjudication of claims in the Black Lung Program. This report estimates that the number of cases reaching the administrative law judge would decline in fiscal year 1984 and fiscal year 1985.

Without reliable estimates, it is difficult for this subcommittee to determine the resources that are required to meet the need for what has become a monumental problem. Certainly an individual who has a claim for black lung benefits, and has to wait for 5 or 6 or 7 years for a determination of his claim, would feel that his problem is monumental.

I further refer to the reluctance of the Department to provide information on a timely basis in response to a committee directive. And that doesn't make the task of this subcommittee much easier.

It is my understanding that the percentage of denials issued by administrative law judges under the new 1981 amendment is increasing, so it would follow that the number of denials as they increase, the number of appeals will increase.

Now, do the projections of your February 15 report reflect an increase in the number of appeals as a result of increased denials under the 1981 amendment?

Mr. DONOVAN. Moving from the administrative law judges to the Board? Is that your question?

Senator BYRD. Perhaps you can give both.

Mr. DONOVAN. I am told that the workload at the Board has not yet dramatically increased as a result of the 1981 amendment on the actions of administrative law judges.

But the problem is there. There is no question, Senator—and you know the history far better than I do, from 1977 onward, when we had 350,000 cases presented to the Department through the various amendments in 1978 and 1981.

It is a major problem, and a major backlog. It is almost like putting your finger in one portion of a dike, and having more water flow out of the other.

It is a three-tier system, as you know. I think our record is a good one. Decisions are made as I am told, within 180 days. But the backlog is at the administrative law judge level. If we should increase our number from 37 to an appropriate number, we would be able to begin to get that backlog out of the way. I believe we should increase our number and we are having discussions right now. I know other agencies have borrowed law judges. But, when we do that, as you correctly point out, you put the bubble at the Board level. And we can't do anything about that administratively.

But we can ask the Congress, and we have, to expand that Board from three to seven members, which would not quite double the number of members, but productivity would be more than doubled.

I'm not familiar—your numbers are not tracking ours exactly, but I don't think that's the point you are raising.

EXPANSION OF THE BENEFITS REVIEW BOARD

Senator BYRD. Would the Department support the expansion of the Board beyond seven members, even on a temporary basis?

Mr. DONOVAN. I think we would be willing to discuss it, because the problem is such that we have got to get this behind us. The trend is downward, there is no question. But, for me to sit here and tell you a reasonable amount of time is 5 to 6 years, I cannot tell you that.

We have put effort into it. I have asked the IG for a particular study on productivity. When we made the changes on the Board, Senator, productivity went up to 1,070 cases in 1983 and is projected to reach 1,200 cases in 1984. So there are productivity gains that we are getting.

But, even with that, I believe the answer lies in moving to increase productivity by borrowing from other agencies some of the administrative law judges, and increasing the size of the Benefits Review Board higher than it is.

Senator BYRD. I believe we have had authorizing legislation passed in the Senate for increasing the size of the Board.

Mr. DONOVAN. It is S. 38 or S. 20.

Senator BYRD. In any event, you do support that?

Mr. DONOVAN. We do, sir.

Senator BYRD. You would support additional members on a temporary basis, additional judges—members of the Board on a temporary basis?

Mr. DONOVAN. I would like to discuss it.

BACKLOG OF CLAIMS AT THE BRB

Senator BYRD. What is the current backlog of claims pending at the Board?

Mr. DONOVAN. As of February 29, the backlog was approximately 5,000.

Senator BYRD. What are the projected number of claims to be received by the Board?

Mr. FORD. In 1985, new cases, approximately 2,440, dispositions of 1,440. Of course that adds to the backlog.

Senator BYRD. I guess we will have to get together and reconcile these figures. We estimate it would be about 3,125, and your estimate is 2,400.

Mr. DONOVAN. We have got to reconcile these figures to make an intelligent decision on what is needed in the way of the Board.

Senator BYRD. Now, how many years—could you state in your opinion, how many years would it require to reduce the current backlog?

Mr. DONOVAN. I am told 5 to 6 years, and we will have it totally in hand.

Is that accurate?

Mr. KOMAREK. Our proposal would increase the Board to a fully supported seven member level. It will still take 5 to 6 years to reduce the BRB backlog down to a fairly current level with that configuration. Anything more than seven would, obviously, speed that reduction up.

But the point that the Secretary made is that, as we all know, there is a bubble or an increase of cases associated with this program. We need to be careful when we add resources, that we don't add them forever when, in fact, the need may not be there forever.

Senator BYRD. How many additional support personnel would you need if the Board were to be expanded to seven members?

Mr. FORD. If more BRB members were added, that would have an effect throughout the Solicitor's Office. We don't have the exact numbers or amount at this particular time. We can provide that.

Senator BYRD. Could you supply that. And also, could you supply your estimate as to the funding levels that would be required?

Mr. DONOVAN. Yes, sir.

We wrote, albeit tardily, to the chairman, and we have done some analysis on costs at both the BRB and the ALJ. It would cost $178,000 for each increase of 100 case dispositions at the ALJ level.

Senator BYRD. How much of that amount, $178,000, is for the Solicitor's Office?

Mr. FORD. I don't have that broken out right here, Senator.

Senator BYRD. Break that out, and also supply the amount that you estimate for the Administrative Law Judge's Office. If you could supply that.

[The information follows:]

SUPPORT POSITIONS FOR SEVEN MEMBER BENEFITS REVIEW BOARD

The Department would require additional support staff for a seven-member Benefits Review Board totaling 4.2 staff-years and $166,000 for each increase of 100 case dispositions above the current capacity of a three-member Board. Of this amount, the Office of the Solicitor would require approximately 1.7 staff-years and $66,000 to represent the Department and the trust fund in Benefits Review Board proceedings. The Benefits Review Board would require approximately 2.5 staff-years and $100,000.

INCREASED CAPACITY FOR OFFICE OF ADMINISTRATIVE LAW JUDGES

For each increase of 100 dispositions at the administrative law judge level, $178,00 and 4.4 positions would be required. Of this amount, the Office of the Solicitor would require 1.8 staff-years and $71,000 and the Office of the Administrative Law Judge would require 2.6 staff-years and $107,000.

BENEFITS REVIEW BOARD

Senator BYRD. Now, could you state to the subcommittee what your plans are for dealing with this backup of cases, so that these people will not have to wait 5 to 7 years. What do you recommend, Mr. Secretary?

Mr. DONOVAN. I think we just discussed the potential solution to it.

Senator BYRD. So you support that approach.

But even that, seven members as you have pointed out, will still result in beneficiaries having to wait long periods.

Mr. DONOVAN. Yes; we almost come out on an equal input and output basis with a seven-member Board.

And I hate to cloud the issue further, but a decision by the U.S. Court of Appeals for the Third Circuit that you are very well aware of, I'm sure, could increase this workload by 1,400 cases. So, it is something that we are very aware of, and obviously you are, and this has got to be resolved.

BLACK LUNG FIELD OFFICES

Senator BYRD. Another item of interest that we have discussed before is the operation of the black lung field offices.

There is a directive from this committee to keep those offices open and staffed in fiscal year 1984. Do you have any plans to close any of these offices in fiscal year 1985? Currently there is Elkins, Bluefield, Beckley, Logan, Madison, and Morgan in West Virginia.

Mr. DONOVAN. We do not.

Senator BYRD. You do not have any plans to close them.

Mr. Chairman, I have no further questions at this point. I may submit additional ones for the record.

Senator WEICKER. Thank you very much, Senator Byrd.

REQUEST FOR LMSA POSITIONS

Mr. Secretary, you are requesting 30 new positions in the Labor-Management Services Administration, primarily to pursue criminal investigation of union activities. At the same time you are cutting 110 positions from the Employment Standards Administration, the agency that enforces labor standards for workers.

One might accuse the Department of a bias in enforcement of our labor laws. Would you please explain the Department's policy.

Mr. DONOVAN. I think there may be a little misunderstanding on the 30. It is 30 for labor and management services. That 30, I believe, is our labor and management cooperation, is that not correct?

Ten are for labor-management——

Senator WEICKER. Twenty for investigation.

Mr. KOMAREK. Twenty for investigation.

Mr. DONOVAN. If I can take the 10 first, then I will get to the heart of your question.

I have a lot of pride in a lot of things we have done at the Department, and I am particularly proud of the labor-management cooperation group. It never existed before in the Department. It concerns itself with bringing labor, management, and academia together to find new ways for cooperation, rather than confrontation. They have done an outstanding job, Mr. Chairman.

One of their stellar performances was getting the National Broadcasters' Association to commit $100 million in free air time over a 5-year period, and Howard K. Smith to donate his talents for the production and showing of a series of messages on productivity. In addition, they have held a series of seminars around the country. In fact, I recently attended one in Phoenix. It was my third. There were over 600 there from management and labor, to discuss ways of attaining improved labor-mangement cooperations and increased productivity.

So, I am extremely proud of them, and I really would have liked to have asked for more people in that agency.

Getting back to the thrust of your question, we have many laws and many regulations in the Department. I have heard the accusation before, that I am being unfair in putting auditors in to union investigations rather than putting them somewhere else, say at OSHA or some other portion of the Department. The obligations that I have in my oath of office are quite clear in what my duties are with regard to auditing of unions—not only the pension funds, but the 50,000 unions that exist in this country.

We were terribly understaffed in this area when I came into office. Our request for additional resources is needed in order to do a professional and fair job. Some would view it as going after someone. That is not my purpose. We are doing it in a proper and professional manner.

There are billions of dollars worth of dues that flow through the unions in this country, and they have to be audited. And that is the simple and straightforward fact of the matter, and that is why we are requesting the increase in staff. I can't do it otherwise. I would be kidding the public and kidding the trade unions.

INVESTIGATION PHILOSOPHY

Senator WEICKER. But I think it is also interesting to note in enforcement of employment standards, the Department's major objective is to achieve conformance by employers through voluntary compliance first,

and enforcement last. On the other hand, primary emphasis is placed on criminal investigation rather than voluntary compliance where the unions are concerned.

Mr. DONOVAN. You are talking about the Fair Labor Standards Act versus the union audits.

Well, I think we are comparing apples and oranges, Mr. Chairman. When you have voluntary compliance as we do there, as we do in OSHA, as we do in affirmative action, then it makes sense to build on that voluntary compliance by encouraging employers and workers to jointly pursue the attainment of regulatory goals, such as a safer workplace. In the area of audits of unions we are presuming they comply. We are not presuming they are guilty. We are assuming they comply. And they have to file, by law, papers to the Department on a yearly basis, and they are audited on——

Senator WEICKER. In Federal investigations, I don't think we are presuming they are complying.

Mr. DONOVAN. These are audits. An investigation only takes place after an audit indicates there is something wrong.

It is my obligation, and for the men or women out across this country paying dues, I have both a legal and a moral commitment to undertake audits of their unions' finances.

Senator WEICKER. Nobody is faulting you on that point.

Mr. DONOVAN. That's what these audits are for.

Senator WEICKER. What we are talking about also is those situations that affect the workers, and where management is in default. And "pretty please" is the way that that is approached. The feeling is that they are in violation of the law, nail them, tell them to come up to the stand instead of saying, "We don't have to ask them anything, they should be obeying the law now. There is no reason why they should be asked."

Mr. DONOVAN. I challenge your words "pretty please." Our attitude is not characterized by "pretty please."

Our attitude instead stresses the need to involve both labor and management in actively seeking to achieve our regulatory goals. I will give you a perfect example. In OSHA, when we took over—and I don't think it is any secret—that agency was about to self destruct. It was a dirty word across this country.

Senator WEICKER. No question about it.

Mr. DONOVAN. What did we do.

You choose to say "pretty please." We say to management and to labor that it is their mutual interest to achieve a safer and healthier workplace. We have the same number of inspectors to deal with over 3 million workplaces out there. If we had the Starsky and Hutch, "I'm going to give you a ticket," attitude that has existed in the past, we would not have achieved the exemplary record of lost man-hours in the safety area.

We have turned that agency around by presuming that labor and management were interested in safety and health, and that is where the

primary responsibility lies. But, I can tell you this, and I can give you example after example, where we found no cooperation, we came down on them like a ton of bricks, and it is working, Senator.

WOMEN'S BUREAU INCREASE

Senator WEICKER. Last year your budget proposed to cut Women's Bureau staff by four positions. This year you are proposing an increase of five positions.

Mr. DONOVAN. Yes, sir.

Senator WEICKER. Why have you reversed your policy of cutting the Women's Bureau staff and now favor expanding its staff?

Mr. DONOVAN. At the time I analyzed it first, I thought a reduction was appropriate. Then I realized the effect this would have on their productivity. They are doing exemplary work. There is a new spirit in the Women's Bureau. Dr. Lenora Cole-Alexander has given the Bureau the leadership that it needed. It is concentrating on very important problems, in my view, such as minority women, single heads of households and in the child-care area. They are doing a tremendous job. I wish I could give them some more.

Senator WEICKER. Maybe then you would like to explain the rationale for expanding the budget for staff by $130,000, only to cut funds for special Women's Bureau projects by 250,000?

Mr. DONOVAN. That's still open for discussion between ETA and the Women's Bureau. Dr. Alexander recognizes that is still an open issue.

Senator WEICKER. I trust that when we meet again a year from now, a nonelection year, you won't be cutting back on the staff again.

Mr. DONOVAN. Senator, I can't say that I don't do anything without politics in mind. But I will tell you this—I can't give you an example right now—if you do the right thing, politics will follow.

SUMMER YOUTH PROGRAM FUNDING

Senator WEICKER. A survey conducted by the National League of Cities indicates that many cities are facing severe cuts in the upcoming Summer Youth Jobs Program compared to last summer's funding.

Examples are: Bridgeport, CT,—I wonder why they put that in? [Laughter.]—down 36 percent; Portland, OR, down 20 percent; New York City down 20 percent; Tampa, FL, down 53 percent; St. Louis, MO, down 37 percent; Chicago, IL, down 47 percent; Cleveland, OH, down 42 percent.

It seems to me, and I would like your comment on it, that we are inviting trouble in these cities this summer if cuts of this magnitude take place.

Mr. DONOVAN. Let me attempt to explain it in generalities, and then I will turn to some specifics, or ask Tom to.

The number of youth served by our 1985 request will be exactly what is anticipated for 1984, and so will the dollars. What has happened here is that under the formulas set out by CETA for distribution of these dollars, many of our major cities had been held harmless for a

number of years and, therefore, received dollars way beyond a straight application of the formula.

In the JTPA, in the wisdom of the administration and the Congress, summer funds are distributed on a strict formula basis, except for some of the Pacific territories. What has happened as a result of that formula is some of the larger cities—and you just read some of them off—under the present law will be getting less, but smaller and suburban cities will be getting more.

Do you see what I am saying, Mr. Chairman? These large decreases are not completely attributable to less dollars, but rather it is a different distribution of those dollars. And I agree with you that there are some cities which are being adversely affected where the problem exists. Presently, I can't do anything about this situation administratively.

Do I make myself clear?

Senator WEICKER. You make yourself clear. What you are saying is there has to be some change in the formula of the law.

Mr. DONOVAN. Can you answer that, Tom?

Mr. KOMAREK. You did an excellent job on that, Mr. Secretary.

Basically the Summer Youth Program formula under CETA had a 100-percent hold-harmless number in it, so a city like Bridgeport continued to get virtually the same allocation year after year.

Basically, as the Secretary indicated, the new formula has a 90-percent hold-harmless factor in it at only the State, not the substate level, and so the State of Connecticut perhaps is getting 10 percent less funds. Connecticut is then faced with distributing that money within the State. And when it goes to use the basic block grant formula, cities tend to lose money and rural areas tend to gain money.

Mr. DONOVAN. There is an additional point. I am not trying to escape the responsibility here in any way. But, it is the States that then allocate those dollars, Mr. Chairman, to their various cities and municipalities.

Senator WEICKER. You have a 90-percent hold-harmless clause now?

Mr. DONOVAN. For the State as a whole.

FEDERAL EMPLOYEES COMPENSATION PROGRAM BACKLOG IN BOSTON

Senator WEICKER. Last question for me, and then I will turn it over to Senator Proxmire.

I have tried to touch upon the broad national implications of your budget request. On the other hand, we are all down here, I know, not to serve Washington DC, and those in power in Washington. But, we have millions of individuals that we represent. And our offices back in the State have to deal with those individual problems daily. And they are just as big, let me assure you, as the broader matters which we touched upon today.

Your budget justification claims to be giving increased emphasis on solving systemic problems in the Federal Employees Compensation Program. I continue to get complaints in Connecticut about the surly and unresponsive attitude of the staff in your Boston regional office and the frustrating delays in processing cases.

Now, I would like a complete report comparing workload statistics in the Boston regional office to each of the other regions.

I will also hand over to you today a sample case which is 10 years old—10 years old—and it seems to me the time has come to carefully examine who is doing what in those offices.

Mr. DONOVAN. Can I address that particular situation?

Senator WEICKER. Yes.

Mr. DONOVAN. There is no question that there was a problem in the Boston office. The genesis of the problem was a staffing problem, and it just happened to hit that office. By coincidence, we lost our assistant regional director, the medical director retired, we lost about 10 in staff by their own choices.

So that the obvious result of that is havoc, and it did exist. But it has been fixed. We now have a new medical director and a new deputy regional director, and it is at full force.

But I have to say this, about 10 of the people in there are under heavy training right now, so that we are not totally up to snuff. But we will be there shortly. And that is the story in that Boston office, Mr. Chairman.

[The information follows:]

FEDERAL EMPLOYEES COMPENSATION ACT—BOSTON DISTRICT OFFICE

The following table compares Federal employees compensation workload statistics in the Boston district office (D.O.) with all other district offices, fiscal years 1981-83.

	Fiscal year 1981		Fiscal year 1982		Fiscal year 1983	
	Boston district office	Average other district office	Boston district office	Average other district office	Boston district office	Average other district office
WORKLOAD						
Injuries reported	12,031	13,019	10,100	11,956	8,861	11,234
Continuation of pay cases	6,793	5,110	5,618	5,031	4,388	4,813
Claims received	2,178	1,686	1,537	1,475	1,359	1,359
Periodic roll cases	2,720	3,064	2,557	3,012	2,360	2,882
Cases closed	16,499	15,458	9,338	13,198	14,828	13,630
Periodic roll reviews	3,081	3,258	4,320	3,366	2,518	3,456
Compensation and medical payments	88,314	86,801	70,657	85,564	66,593	85,697
Pending case inventory	4,165	4,671	4,757	3,634	5,237	3,286
PERFORMANCE STANDARDS						
Proccess traumatic cases:						
Percent within 45 days	81.7	75.6	96.4	86.7	80.1	87.8
Percent within 120 days	NA	NA	NA	NA	87.3	95.1
Process nontraumatic cases:						
Percent within 6 months	[1]28.6	[1]40.7	88.7	52.3	37.4	57.3
Percent within 10 months	NA	NA	NA	NA	70.2	71.7

[1] In fiscal year 1981, the nontraumatic processing standard was based on 5 months.

Senator WEICKER. Senator Proxmire?

Senator PROXMIRE. For the record, gentlemen, I would appreciate it if you could provide—along the questioning I was engaging in before—figures on total debt owed the Department by various groups in 1983, and estimated to be owing in 1984 and 1985.

Then show collections and writeoffs in dollars, and as a percentage of debts outstanding.

So, I think I would have a basis. I didn't fully understand it when I asked the question before. That would give me a better understanding.

Mr. DONOVAN. We would be happy to do that, Senator.

[The information follows:]

DEBT COLLECTION AND WRITEOFF ACTIVITY

More than one-half of the Department's receivables balances at any point in time are in an appeals process and not subject to debt collection procedures. As a result, collection rates, expressed as a percentage of total available (beginning receivables balances plus new receivables booked during the year) are lower than would otherwise be the case. At the end of fiscal year 1983, the Department's receivables balance was $533.2 million, of which $324.7 was under appeal.

[Dollars in millions]

	Fiscal year 1983 actual		Fiscal year 1984 estimate		Fiscal year 1985 estimate	
	Dollar	Percent rate	Dollar	Percent rate	Dollar	Percent rate
Department-wide: [1]						
Collected	$175.4	24.5	$184.7	23.5	$183.3	23.4
Written off	5.8	.8	9.	1.1	12.5	1.6
Total available	714.7		785.3		783.8	
Federal employees compensation:						
Collected	9 5	33.8	13.1	42.8	13.8	49.6
Written off	.6	2.1	1.9	6.2	1.8	6.5
Total available	28.1		30.6		27.8	
Black lung:						
Collected	20.5	11.7	18.0	9.4	17.1	8.4
Written off	.2	.1	.6	.3	1.1	.5
Total available	175.1		191.4		202.9	
Employment training:						
Collected	18.7	7.2	29.5	9.6	30.2	10.4
Written off	3.2	1.2	5.0	1.6	8.0	2.8
Total available	258.6		306.0		290.3	
Pension plan assessments [PBGC]:						
Collected	95.3	92.3	95.0	90.9	104.9	90.9
Written off						
Total available	103.3		104.5		115.4	

See footnote at end of table.

[Dollars in millions]

	Fiscal year 1983 actual		Fiscal year 1984 estimate		Fiscal year 1985 estimate	
	Dollar	Percent rate	Dollar	Percent rate	Dollar	Percent rate
Pension plan recovered assets [PBGC]:						
Collected	$20.2	16.6	$15.8	12.5	$5.9	4.7
Written off						
Total available	121.7		125.9		125.3	
Fines for workplace safety and health violations [OSHA]:						
Collected	5.4	33.1	7.7	47.5	7.1	50.4
Written off	1.0	6.1	.7	4.3	.7	5.0
Total available	16.3		16.2		14.1	
Fines for mine safety and health violations:						
Collected	5.9	43.7	5.7	53.3	4.4	54.3
Written off	.9	6.7	.9	8.4	.9	11.1
Total available	13.5		10.7		8.1	

[1] Differences between Department-wide totals and totals of programs/activities due to rounding.

LMSA INVESTIGATING REPORTS

Senator PROXMIRE. About 3 weeks ago, on February 7, the Post reported that the Labor Department's Office of Labor-Management Standards Enforcement spent more than $1.5 million investigating union reports and finances during fiscal 1983 compared with $22,000 for employer reports and finances.

In other words, they spent about 75 times as much investigating unions as investigating management, and those management expenditures were down from $306,000 in fiscal year 1980, the last year of the Carter administration.

In March 1982, investigators were told they could investigate employers only on the basis of formal complaints, not anonymous tips or news stories as they had in the past. But that restriction doesn't apply to unions.

Furthermore, a House Labor subcommittee staff report charged that the Labor Department fails to routinely cross-check the reports of hired management consultants with similar ones required from their employers. Richard Hunsucker, a Labor Department official, who is head of the office I referred to, assured subcommittee members at a hearing yesterday that such cross-checking has begun.

"When did this start?", he was asked.

"Frankly," replied Mr. Hunsucker, "the day before yesterday."

Now, I just wonder if this isn't a clear evidence, it seems that way—I don't want to be unfair—of a bias against unions. Maybe you can show why these figures don't illustrate and document a clear bias against unions and in favor of management through cutting the amount spent investigating management, cutting it way down so it is far below the amount spent investigating union reports.

How do you justify that approach?

Mr. DONOVAN. I'd be happy to. I would like to preface it by saying I was a union contractor 25 years of my life, and I still wear a single-breasted suit. It is not double-breasted. So that my record for defense of the labor movement is there for anybody to see, and I hope, admire.

If I am heading that agency, any implication like that obviously implies that I have either changed my attitude, or I am allowing some people to run amok.

Neither is true. There was a hearing before—I believe that was Representative Clay's hearing, was it not?

Senator PROXMIRE. That's correct.

Mr. DONOVAN. Statistics can do anything, as you are undoubtedly aware.

You mentioned 1980, the Carter administration, as the year to compare all other years to. Interestingly enough, if you go back from 1980 into 1979—1978, 1977, 1976, you will see that the large influx of complaints against consultants existed in 1980. There was a surge put on, and that is fine, which boosted that to 400. The average had been 40 before that.

The average of complaints coming in during this administration is about the same, 40.

But, a more important point, and one that is missed continually, when people raise this issue and imply that there is an antiunion bias in that Department, the mere fact of the numbers—there are 50,000 unions. There are, as far as I know, registered consultants of 200 and some. The quantity difference here should explain why so many dollars are being spent in one area versus the other.

Senator PROXMIRE. The use of consultants is only one small part of the way employers deal with unions.

Mr. DONOVAN. That's the whole point, that's the point they are raising, that we are getting off the back of consultants and on the back of the unions.

It just isn't so.

POLICY ON UNION INVESTIGATIONS

Senator PROXMIRE. How do you justify the edict of March 1982 instructing investigators that they could investigate employers only on the basis of formal complaints, not anonymous tips or news stories as they had in the past. That restriction does not apply to union investigations.

In other words, you can investigate a union on the basis of a news story, but you cannot investigate an employer on that basis.

Mr. DONOVAN. I don't know who gave you that——

Senator PROXMIRE. Is that true or untrue?

Mr. DONOVAN. I don't know. It didn't come from me.

Senator PROXMIRE. Is it true or untrue?

Mr. DONOVAN. I don't know if it is true. Who did they say made that statement?

Senator PROXMIRE. Well, it is mentioned in an article by Mr. Pete Early. There is no quotation. There is no attribution. The article states: "In March 1982 investigators were told they could investigate employers only on the basis of formal complaints."

Mr. DONOVAN. In 1982 the only two people who could say that and make it stick were Ray Donovan or Don Dotson, who was the Assistant Secretary at the time. Don Dotson, who is now chairman of the National Labor Relations Board, gave an extensive interview on that subject. I will leave it for the record, but he denies that.

But, it is an unnamed quote. I don't know who it is. It was not Dotson, nor was it me.

Senator PROXMIRE. I just want to know for the record then, if it is a fact that your investigators are not only not instructed not to investigate on the basis of news stories, but are told that if they are reliable news stories, they should investigate. Why shouldn't they be?

Mr. DONOVAN. They should be.

Senator PROXMIRE. And they are?

Mr. DONOVAN. I don't know. I would have to check that. But I will tell you this, when you have limited resources you want to put them where you get tips rather than run up blind alleys.

Senator PROXMIRE. Tips are fine.

Mr. DONOVAN. Don't read anything into that, please, that this is a principle of this Department, and that we are approaching this in anything other than a fair and balanced way, because we are.

Senator PROXMIRE. Well, will you find out and let us know for the record whether or not there have been such instructions not to investigate.

Mr. DONOVAN. I certainly will.

[The information follows:]

LABOR-MANAGEMENT STANDARDS ENFORCEMENT

On March 12, 1982, a notice was sent to all Labor-Management Services Administration investigators detailing policy guidance on employer and consultant reporting cases at the direction of then Assistant Secretary Donald Dotson. Because of limited resources, the large number of open employer and consultant cases, and numerous competing priorities, the notice instructed investigators to close cases opened on a basis other than a complaint and to give priority to those cases involving issues with legal precedent by closing two types of cases that were untested legally.

It should be noted that fewer than 2 percent of all union embezzelment cases are opened on the basis of newspaper articles or anonymous tips, so it is extremely unlikely that the failure to open employer and consultant cases on the basis of those sources has resulted in any signfiicant number of cases not being opened.

I would like to further add, for the record, in reference to the February 7, Washington Post article which reported that the Labor Department's Office of Labor-Management Standards Enforcement spent more than $1.5 million investigating union financial reports during fiscal year 1983 compared with $22,000 for employer and consultant reports. The $1.5 million figure was erroneous and was based on a misunderstanding which resulted in the double counting of one figure. In reality the Department spent $847,943 in fiscal year 1983 on investigating union reports and finances. The Post figure of $1.5 million was arrived at by combining the amount spent on the Compliance Audit Program with the amount spent on investigating union reports, but the latter figure already included the amount for audits which thus was counted twice.

Finally, in an attempt to clarify any misunderstanding regarding the Department's institution of a system of cross-checking employer and consultant reports after the issuance of a House majority staff report as evidence of a clear bias by the Department against unions and in favor of management; I submit for the record that the Department has always done some cross-checking of employer and consultant reports. Employer and consultant reports received as the result of investigative activity have been cross-checked to ensure consistency and completeness. However, because of competing priorities, reports received from voluntary filers did not receive as complete a check. The Office of Labor-Management Standards Enforcement [LMSE] has attempted to initiate a cross-check system in the past but had been unable to do so because of a lack of resources.

A recent informal check by LMSE had shown that information on employer and consultant reports is about 85 percent consistent and generally voluntary filers cooperate to ensure that fact. However, the majority staff report indicated that when they randomly sampled reports they had found a much lower degree of compliance.

Given the discrepancies between LMSE's sample and that of the majority staff, a decision was made to give the institution of a cross-check system higher priority. National office resources could be temporarily diverted from other matters to institute such a program without affecting field investigative resources.

JOBS HELD BY WOMEN AND MINORITIES

Senator PROXMIRE. Finally, last year I asked for the record what percentage of your GS–12 and above jobs were held by women and minorities. I also asked what percentage of your total work force was composed of women and minorities.

You answered the first question, but not the second. Consequently I have no way of knowing whether women and minority workers hold high-level positions at the Department in the same ratio as their ratio to the entire Labor Department work force. So for the record, if necessary, give me the percentage of women and minorities in the total work force in the Department of Labor, and tell me how those percentages compare with the percentage of jobs at the GS–12 and above level held by women and minorities.

And also, date those figures for me if you can.

Would you do that?

Mr. DONOVAN. I will.

On that subject, you will be pleased to know that the new Deputy Under Secretary of ESA is Sue Meisinger, a very fine and talented woman. Also our appointee for Assistant Secretary of ETA, an extremely important job as you are aware, is a Hispanic.

But, we will get you the numbers.

[The information follows:]

MINORITY EMPLOYMENT IN THE DEPARTMENT OF LABOR

As of September 30, 1983, women comprised 43.4 percent and minorities comprised 28.8 percent of the total Department of Labor work force. This compares with women holding 18.2 percent and minorities holding 18.8 percent of the GS–12 and above level jobs.

HIRING GOALS FOR WOMEN

Senator PROXMIRE. Equal employment opportunity data provided last year indicated only 18 percent of your GS–12 and above jobs were held by women. Isn't that a disproportionately small figure when compared to the composition of your entire work force?

I'm sure that more than 18 percent of your work force are women.

Mr. DONOVAN. What percent, sir?

Senator PROXMIRE. Eighteen percent. That is the percentage of your GS–12 and above jobs held by women.

Mr. DONOVAN. Sounds low, yes. But I am not sure of the number.

Senator PROXMIRE. Last year you told us that the affirmative action goals for most agencies in the Department for fiscal year 1983 included increasing the percentage of jobs held by women.

Do you have specific goals for increasing GS–12 and above jobs held by women? If so, precisely what are those goals?

Mr. KOMAREK. We have hiring goals. We will have to supply the numbers for the record.

[The information follows:]

HIRING GOALS FOR WOMEN

Hiring goals for the Department's 1984 affirmative action plans [AAP's] were not established by grade but rather by occupational series. However, agency AAP's set goals for hiring at least an additional 87 women in professional and administrative occupational series in 1984, many of whom could expect to eventually rise to GS–12 or higher grade levels.

PROGRESS OF MINORITY EMPLOYMENT

Senator PROXMIRE. What progress, if any, have you made over last year in increasing the percentage of women and minorities employed at the GS–12 and above level?

Mr. KOMAREK. Again we will have to supply that information for the record.

[The information follows:]

PROGRESS OF MINORITY EMPLOYMENT

In 1983 women held 18.2 percent of GS–12 and above level jobs as compared with 18 percent in 1982. Minorities held 18.8 percent of those jobs in 1983 as compared with 19 percent in 1982.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you, Senator Proxmire, and thank you very much, Mr. Secretary. You have been very patient and very responsive.

Mr. DONOVAN. It has been good to be with you.

Senator WEICKER. There will be other questions from the chairman and from the Senators, which will be submitted for your response for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

EMPLOYMENT PROBLEMS OF OLDER WORKERS

Question: Given the current and future problems of older workers, such as the difficulties of retraining them for high technology fields, what will the Department be doing to develop improved older workers policies?

Answer: The Department of Labor administers a number of programs which address the employment needs of older workers. The Senior Community Service Employment Program (SCSEP) employs elderly low income persons in part-time community service jobs. All program participants are age 55 or older. Some participants work in weatherization, energy conservation, beautification and restoration projects. Others work in part-time jobs in community facilities such as hospitals, libraries, and law enforcement agencies.

In addition, the need among older persons for job training and retraining services receives special recognition in three different program areas within JTPA. They are:

- Title IIA - the Older Workers are identified as a target group for priority service under the Job Training Partnership Act (JTPA). They are one of the population groups most frequently targeted for service by Service Delivery Areas (SDAs). The National Alliance of Business conducted a survey that covered 583 SDAs administering JTPA during September and October of last year. Results of the survey indicated that 321, or 55.1 percent of the SDAs, specifically identified disadvantaged individuals 55 years of age or older as a target group for training and employment related services.

- Title III - provides for training, retraining and other employment assistance to dislocated workers including any older individuals who may have barriers to employment by reason of age.

- A special training program for older individuals is also established by funding setasides administered by the Governor of each State. Three percent (3%) of each state's allocation for Title IIA is available for training programs for older individuals.

  Programs are developed in conjunction with SDAs and designed to assure that economically disadvantaged persons age 55 and over are trained and placed in employment opportunities with private business concerns. Governors can enter into agreements with public agencies, non-profit organizations, and private business concerns to provide such training, with particular emphasis on preparation for jobs in growth industries and areas that require the use of new technological skills.

TECHNICAL ASSISTANCE REGARDING AGING WORKFORCE

Question: What kind of technical assistance is available to the private sector to create innovative ways to cope with the aging work force?

Answer: There are a number of sources of technical assistance for the private sector. Among those which are financially supported by the Department of Labor are:

- o The National Alliance of Business;
- o The National Governors Association; and
- o The National Commission for Employment Policy

Although not funded by the Department of Labor, organizations such as the Institute of Lifetime Learning are available to provide information and assistance to the private sector to develop innovative ways of dealing with an aging work force.

In addition, through organizations which are funded for program operations under the Job Training Partnership Act, local areas are able to develop ways of dealing with the changing labor force and at the same time meet the needs of private business. The National Commission for Employment Policy has also extensively studied the work patterns of older workers.

TECHNICAL ASSISTANCE TO STATES

Question: What type of technical assistance is available to States in the development of new work options, such as part time employment, job sharing and phased retirement?

Answer: The States may use a portion of their JTPA funds to obtain technical assistance (TA) services. These may be services that will assist with the implementation of employment and training plans that are identified by the States as necessary for the varied segments represented in the population. The TA funds could be used for obtaining assistance in implementing programs advocating part-time employment, job sharing and phased retirement.

The Office of Research and Evaluation of the Employment and Training Administration has funded Mathematica Policy Research, Inc., to conduct a study of worksharing programs linked with the receipt of unemployment insurance benefits. Programs are being evaluated in Arizona, California, and Oregon to determine the costs and benefits of this approach from the workers' and the employers' points of view. A final report is expected by April 30, 1985 and a report on the California program will be available in July 1984.

EMPLOYMENT POLICY FOR OLDER WORKERS

Question: How is the Department using its national programs' funds under Title IV of the Job Training Partnership Act to focus on the employment needs of older workers?

Answer: The Department currently funds no specific project using national programs funds which focuses exclusively upon the employment needs of older workers. However, older workers are served in many special national projects.

In addition, the Department administers Title V of the Older Americans Act which authorizes funds for the Senior Community Service Employment Program. This program provides part-time employment for unemployed, low-income persons aged 55 or older with priority given to those who are over 60 years of age.

Also under Title V, the Department is conducting 16 experimental projects for second career training and placement of older workers in private business concerns. These Title V programs provide employment opportunities for needy older workers that are not duplicative of other existing employment and training services.

JTPA-WIN COORDINATION

Question: What is the Department doing to coordinate the new Job Training Partnership Act with the Work Incentive Program, the Employment Service, and related activities such as vocational education?

Answer: Under JTPA the responsibility for coordination with the Work Incentive (WIN) Program, the Employment Service (ES) and related activities such as vocational education rests with the State. Each State is required to establish criteria for ensuring that necessary coordination is being accomplished. The Department reviews the Governors' Coordination and Special Services Plans (GCSSPs) for compliance with the Act.

JTPA has numerous provisions that encourage and enhance coordinated activity. The requirement for equitable service to AFDC recipients at Section 203(b)(3) of the Act necessitates close cooperation among local service delivery area (SDA) administrative entities, welfare departments and the WIN Program. Joint planning by the ES, local elected officials and the Private Industry Council (PIC) is mandated under Section 501(d) for the development of local components of ES plans, and of course the ES also has a seat on the PIC. Coordination with vocational education is affected through Section 123 of the Act, which sets aside 8 percent of Title II-A funds for State education coordination and grants, and through Section 107, which specifies that appropriate education agencies must be given the opportunity to provide educational services in the service delivery area.

Coordination of effort among job training and related activities is being effectively implemented under JTPA, as mandated by the Act

and as demonstrated by the provisions incorporated in the GCSSPs reviewed by the Department.

PRIVATE SECTOR INVOLVEMENT IN PROGRAMS

Question: Since 1981, Labor Department Employment and Training Programs have been cut in half--from $8 billion to less than $4 billion annually. To what extent has greater involvement of the private sector been able to offset cuts in Federal Appropriations?

Answer: Several factors have worked to offset the cut in appropriations. The most significant is the current emphasis on training instead of income support, as was seen in public service employment (PSE) and stipended institutional training. Private sector involvement has and will continue to make a difference by participating more directly in the design and management of the programs and thus ensuring more relevant skill training and better job placement results. Both of these facts should ensure a better investment for the dollars in the program.

COLLECTIVE BARGAINING

Question: What major labor-management collective bargaining negotiations are scheduled in the coming months?

Answer: According to our Bureau of Labor Statistics, over 600 contracts covering more than 1,000 workers each are scheduled either to expire or be subject to reopening this year. These 600 plus contracts cover in total about three million workers. Among the sectors in which major negotiations are scheduled include the following: McDonnell Douglas and Rockwell International; Offshore Maritime; Railroads; West Coast Longshoring; Postal Service; Ford and General Motors; Coal; and Construction, where 230 major contracts covering more than 600,000 workers will be subject to negotiations at various times during the year.

Question: Do you anticipate collective bargaining will rekindle inflation, due to higher wage demands in a period of economic recovery?

Answer: It would be a mistake to assume that bargaining in a period of economic expansion will produce inflationary results. During the recent recession, collective bargainers agreed to some innovative compensation structures such as two-tier wage rates, profit-sharing plans, and employee stock ownership plans. In some situations, these new structures have decreased the cost of hiring new workers and have tied future increases in wages directly to profits or productivity. These mechanisms will remove some of the pressure for wage increases which cannot be supported by productivity increases or current profits.

Further, in coping with economic adversity, management and labor in many industries displayed an increased mutuality in their relationship. Their collective bargaining agreements and day-to-day relations have shown an increased realization that the economic fate of labor and business is intertwined and that both have common needs and objectives. Hopefully this mutuality will continue to be

demonstrated as the parties bargain over their share of the benefits of the recovery. I suspect the parties will conclude in many instances that they must make a mutual investment in their future, even though such investment may entail a denial of the immediate gratification of a simple division of the larger economic pie.

Question: To what extent do you expect to be involved in efforts to control inflationary labor-management agreements?

Answer: This Administration has maintained a policy of non-intervention in private sector collective bargaining. I believe it would be unwise to depart from this policy, especially when many bargainers have shown so much flexibility and maturity in dealing with the problems which confronted them. We are hopeful, of course, that the parties will continue their mutual problem solving efforts rather than turn to the pursuit of parochial interests and individual gain. If they are able to turn their attention towards long-term problems, there will be a positive force that will amplify and help sustain our recovery.

DEREGULATION OF THE PENSION PROGRAM

Question: Ever since enactment of the Employee Retirement Income Security Act (ERISA), there have been complaints from the business sector that compliance with the law was both burdensome and costly. Could you summarize the Department's efforts to reduce "red tape" in the pension program?

Answer: Every year since ERISA's enactment, the Department has taken administrative action to make ERISA compliance less burdensome and less costly. In the area of reporting and disclosure, the Department has done many things to reduce paperwork. Some of the major actions include exempting small welfare plans which are either unfunded or fully insured from filing any report with the Department, developing simpler annual reports for small plans, and eliminating a report completely for all plans (the plan description).

Other reporting reductions which were designed specifically to reduce administrative costs include, waiving the requirement for small plans to obtain an independent qualified accountant's opinion each year, requiring small plans to file full annual financial reports (Form 5500-C) every third year with a short registration form filed in the two intervening years, and, for all plans, the Department designed an easy to prepare format for the summary annual report (SAR) required by ERISA.

The Department is continuing to review reporting requirements and is in the process of proposing or developing proposals for further reductions in paperwork.

In the area of fiduciary standards, the Department has issued many broad class exemptions from the prohibited transaction provisions and has issued several regulations which have reduced the administrative burden of ERISA compliance. In 1979, the Department issued its prudence regulation which made it clear that the prudence of a particular investment would be determined based

on an analysis of the total investment portfolio, thereby easing the ways for plans to invest part of their assets in small or new companies, or other investments associated with higher risk.

Several major class exemptions have been granted. These class exemptions in some cases permit certain types of transactions which are normally carried out within an industry, (e.g., insurance, securities, banking) to continue. For example, a major deregulatory class exemption has just been issued by the Department. Class exemption 84-14 provides a general and three limited exemptions that allow plans whose assets are managed by a qualified professional asset manger (QPAM) to engage in transactions with virtually all persons or firms. This exemption both removes technical restrictions and protects the assets from potential abuse by putting full authority over fund investments in the hands of independent managers. Another exemption, class exemption 79-1, permits broker-dealers, if certain specified conditions are met, to engage in securities transactions for employee benefit plans with respect to which they serve as fiduciaries. Class exemption 82-87 permits employee benefit plans to undertake a broad range of transactions involving residential mortgage financing. The exemption removed certain technical obstacles that had previously made plan fiduciaries reluctant to consider these types of investments.

Question: Has the ERISA deregulation program reduced pension plan administrative costs?

Answer: The changes to ERISA paperwork requirements generally have been designed to reduce administrative costs. We feel confident that plans in general have experienced a reduction in paperwork burden due to these changes since the passage of the Act. We feel that the class exemptions have permitted plans to make certain advantageous transactions and have thereby benefitted.

Question: Has it speeded up the review of exemption requests from the prohibited transaction provisions?

Answer: The issuance of class exemptions may, depending on the specific situation, result in closing a number of pending applications for exemptions and will prevent other requests from being filed. This helps to speed up the review of other applications. Many requests for exemption, however, are not covered by class exemptions and are considered on an individual basis. The main factors in the speed up of the number of exemptions processed since 1979 have been annual productivity increases by program staff and the implementation of Reorganization Plan of 1978. Prior to 1979, the exemption procedure was a joint procedure involving both the Department of Labor and the Internal Revenue Service. Processing time was greatly reduced when this dual review and processing of requests was eliminated. Following is a chart which displays the increase in exemptions processed each year since the program's inception:

Summary of Exemption Request Activity
Calendar Years 1974-1983

Year	Received	Closed	Pending
1974	17	0	17
1975	255	14	258
1976	290	104	444
1977	292	307	429
1978	294	184	539
1979	471	683	327
1980	620	675	272
1981	778	687	363
1982	941	812	492
1983	1034	975	551

Question: Have pension plan protections and safeguards against mismanagement been compromised in the process?

Answer: The Department feels no safeguards provided by ERISA have been compromised by administrative actions. Before any class or individual exemption is granted, the Department makes a determination that the exemption is protective of the interests of plan participants and beneficiaries. Safeguards must exist to insure that assets are used in the sole interest of participants and beneficiaries. Class exemptions frequently include conditions which must be met, such as requiring certain transactions to be approved by a fiduciary who is independent of the transaction, or disclosure of certain information to such an independent fiduciary.

In the reporting and disclosure area, prior to revising reporting requirements the Department carefully determines whether revisions are protective of the interests of plan participants. Of course, each regulation is subject to public comment in its proposed form. The Department always takes into consideration all comments received before implementing any final change.

PRIVATE SECTOR/SOCIAL INVESTMENT OF PENSION FUNDS

Question: Since 1981, Labor Department employment and training programs have been cut in half -- from $8 billion to less than $4 billion annually. Do you believe unions and corporations should be given more freedom to invest a portion of their multi-billion dollar pension assets in enterprises that are targeted at employing disadvantaged individuals and displaced workers?

Answer: Assets in private pension plans are approaching $900 billion and are expected to exceed $3 trillion by 1995. This represents a tremendous pool of capital. ERISA provides that these funds must be invested prudently for the exclusive purpose of providing benefits to plan participants and beneficiaries (and deferring reasonable administrative expenses). It has been suggested that this prudence standard be weakened to allow pension funds to be invested in a variety of "social" objectives, the objective depending upon the suggestor's personal priorities. The Department has consistently held that such social investment was inconsistent with ERISA's prudence standard and the law's objective of providing retirement benefits. While aiding disadvantaged

individuals and displaced workers are worthy goals, they should not be undertaken at the expense of this Nation's retired workers.

VETERANS' JOB TRAINING PROGRAMS

Question: The Job Training Partnership Act established a new national program for training and employment services for veterans, to be administered by the Assistant Secretary of Labor for Veterans' Employment. Meanwhile, another new program of employment-related services for veterans was created in the 98th Congress (the Emergency Veterans' Job Training Act), to be administered by the Veterans' Administration. In addition, the Department of Labor already had authority to provide job counseling, training and placement for veterans through the U.S. Employment Service. How are all these existing and new programs of employment related assistance for veterans being coordinated?

Answer: The Assistant Secretary for Veterans' Employment and Training (ASVET) has a nationwide field staff of Regional, State and Assistant State Directors for Veterans' Employment and Training Service. They serve as the focal points for programs by monitoring, evaluating and providing technical assistance to all the agencies involved through grant or non-financial agreements. Of course, direction and guidelines are distributed from the ASVET through the Veteran's Employment and Training Services (VETS) field staff and program reports and information flow back to the ASVET.

DIFFERENCES IN VETERANS' JOB TRAINING PROGRAMS

Question: How do they all differ from each other?

Answer: The differences are as follows:

1. Job Training Partnership Act (JTPA). The Veterans' Employment Programs (Title IV, Part C) portion of JTPA is specifically directed to meeting the employment and training needs of service-connected disabled veterans, veterans of the Vietnam era and veterans who were recently separated from the military service. The ASVET distributes funds to States and JTPA Service Delivery Areas according to terms of grant agreements with them, tailored to meet the needs of the eligible veterans in the area being served. The total amount of money available for Title IV, Part C projects is determined by a formula in the Act itself and of course is dependent on the total appropriations from Congress for JTPA. For the transition period of October 1, 1983 to June 30, 1984, there were $7.29 million dollars appropriated, and for Program Year 1984 (July 1, 1984 - June 30, 1985), $9.7 million. The FY 1985 request of $8.8 million is for Program Year 1985 (July 1, 1985 - June 30, 1986).

2. The Emergency Veterans' Job Training Act program is a temporary program authorized for two years specifically targeted to help long-term unemployed veterans of the Korean Conflict and the Vietnam era through on-the-job

training programs. It reimburses employers one-half of the starting salary up to $10,000 for each eligible veteran whom the employer hires and trains. The Veterans Administration administers the certification of veterans and employers and the payment process. Department of Labor responsibilities for promotion and development of the job training opportunities and placement of veterans have been previously described.

3. The Department of Labor has operated the program for job counseling, placement and referral of veterans to training and other eligible persons for many years through the United States Employment Service (USES). The State Employment Security Agencies (SESAs) affiliated with USES are still responsible for providing those direct services to veterans. The ASVET administers the Local Veterans' Employment Representative (LVER) program and the Disabled Veterans Outreach Program (DVOP) through a grant agreement with each SESA. Those LVER and DVOP staff members are SESA employees, but are supported by Federal funds through the grant agreement with the ASVET.

AGREEMENTS BETWEEN VETERANS ADMINISTRATION AND ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING

Question: What agreements have been reached between the Assistant Secretary for Veterans' Employment and Training and Veterans Administration to prevent duplication and overlap and to encourage coordinated program operations?

Answer: Currently an effort is underway between ASVET and VA staff to update the existing VA-DOL Agreement. The agreement formally describes cooperative and coordinating efforts to be taken by each agency to avoid duplication and overlap. A copy of the existing agreement is available if required.

STATUS OF IMPLEMENTATION OF JTPA VETERANS' PROGRAM

Question: What is the status of implementing the new veterans' program contained in the Job Training Partnership Act?

Answer: For the transition period October 1, 1983 - June 30, 1984, there is $7.29 million available. In accordance with program regulations published in the Federal Register of October 24, 1983, at least 80 percent of those funds will be made available to the States and Service Delivery Areas through a Solicitation for Grant Application (SGA). The SGA was published and distributed to eligible applicants on November 1, 1983, with a deadline for submission of grant applications set for December 15, 1983. Grant awards are now being finalized.

The remaining 20 per cent of the funds are retained for the discretionary use of the ASVET for research and development activities, demonstration projects, providing technical

assistance and training, or to support other unique veterans' employment and training efforts as deemed appropriate.

FEDERAL ROLE IN JTPA VETERANS' PROGRAM

Question: What is the Federal role in this program?

Answer: As mentioned previously, Congress appropriates the funds and the ASVET distributes them according to grant agreements. VETS field staff provide technical assistance to all interested eligible applicants. Regional and National Office staff of VETS conduct detailed review and evaluation of grant applications and make funding recommendations to the ASVET. After awarding a grant, it becomes the responsibility of VETS field staff to monitor implementation and progress of the various projects. The Federal role includes ensuring that each grantee carries out the veterans' employment and training program for which the grant was awarded.

DIFFERENCES IN JTPA AND CETA VETERANS' PROGRAMS

Question: How does this program (e.g. JTPA Title IV Part C) differ from services provided to veterans under the Comprehensive Employment and Training Act?

Answer: This JTPA program differs from the CETA programs as follows:

1. Other than outreach and public information, CETA did not authorized any special programs to address veterans' needs and hence had no specific fund earmarked for special veterans' programs as JTPA does.

2. The CETA legislation required that "special emphasis" be placed on meeting veterans' needs. JTPA Title IV, Part C requires that the programs meet the employment and training needs of service-connected disabled veterans, veterans of the Vietnam era and veterans who are recently separated from military service.

3. The separate funding for special veterans programs under the JTPA and authority given the Assistant Secretary for Veterans Employment and Training under the JTPA allows for the establishment of a grant award system. This system provides incentives to Governors and service delivery areas to serve greater numbers of disabled, Vietnam-era and recently separated veterans than they could using only funds available from other sources.

COORDINATION OF VETERANS' EMPLOYMENT PROGRAMS

Question: How is the new veterans' employment program being coordinated with the Veterans' Administration programs, plus the existing employment programs for veterans operated by the Labor Department?

Answer: The Secretary of Labor, in consultation with the VA Administrator, is required to promote the development of employment and job training opportunities for veterans. This is accomplished by encouraging potential employers to create job training programs under the Emergency Veterans' Job Training Act available for eligible veterans, by advising other appropriate Federal departments and agencies of the program established by the Act, and by advising employers of applicable responsibilities under Chapters 41 and 42, Title 38 US Code, with respect to veterans.

Section 15(c)(2) of the Act requires the Secretary of Labor, through the Assistant Secretary of Labor for Veterans' Employment and Training (ASVET), to make maximum use of the services of State and Assistant State Directors for Veterans' Employment and Training Service, Disabled Veterans Outreach Program (DVOP) specialists, and Local Veterans Employment Representives (LVER).

The ASVET and the VA Administrator have a shared responsibility for the full implementation of the EVJTA. The placement of veterans is principally carried out by VETS and SESA staff in all States. VA staff in all States are also involved in the direct placement process in coordination with SESA staff.

CONSULTANT SERVICES

/ Question: One area that has been of continuing concern to the Subcommittee is the amount requested for consultant and related services. It would be helpful to the Subcommittee to have a table listing the amounts requested for consulting services with the appropriations accounts from which the amounts are to be paid as well as a description of the need for the consulting services.

Answer: The following table gives the estimated consultant costs for FY 1984 and FY 1985.

	Advisory Commissions		Contractual Services		Personnel Apportionments		Total	
	FY 1984	FY 1985	FY 1984	FY 1985	FY 1984	FY 1985	FY 1984	FY 1985
ETA								
PA...	32,000	32,000	150,000	150,000	10,000	10,000	192,000	192,000
TES..	5,000,000	5,000,000	---	---	---	---	5,000,000	5,000,000
LMSA...	46,000	48,000	75,000	75,000	---	---	121,000	123,000
PBGC...	48,000	65,000	313,000	125,000	16,000	---	377,000	190,000
ESA....	---	---	835,000	353,000	---	---	835,000	353,000
OSHA...	25,000	25,000	250,000	250,000	10,000	10,000	285,000	285,000
BLS....	---	---	159,000	304,000	---	---	159,000	304,000
DM.....	---	---	50,000	50,000	92,000	92,000	142,000	142,000
OIG..	---	---	10,000	10,000	---	---	10,000	10,000
Total..	5,151,000	5,170,000	1,842,000	1,317,000	128,000	112,000	7,121,000	6,599,000

Consultant services are utilized generally in one of three ways: through advisory commissions, contractual services, or as personnel appointments. The necessity for the three types of consultant services are as follows:

Advisory Commissions: Most of the commissions are legislatively mandated through the Federal Advisory Committee Act. They are needed to provide advice and make recommendations to the Secretary or Assistant Secretaries. Funding for direct payment to its members is mandatory.

Contractual Services: Needed particularly for short-term projects where specialized expertise is required, or to provide contract assistance.

Personnel Appointments: Needed to provide advice and expertise particularly on a specific project.

Question: How do these amounts compare to FY 1984 amounts for consulting services?

Answer: The $6,599,000 requested for consultant and related services for FY 1985 is $522,000 below the estimate of $7,121,000 for FY 1984.

CURRENT SERVICES ESTIMATES

Question: Provide for the record the fiscal 1985 current services estimates for all Labor Department discretionary accounts, including line-item breakouts for Job Training Partnership Act activities.

Answer: The following chart provides the fiscal 1985 current services estimates for all the Department's discretionary accounts. ($ in thousands)

	1985 Current Services
Employment and Training Administration	
Program Administration (PA)	
General Funds	67,884
Trust Fund Transfer	46,300
Total, PA	114,184
Training and Employment Services (TES)	
General Funds	
Block Grants	1,982,156
Summer Youth Employment and Training Programs	724,549
Dislocated Worker Assistance	234,351
Indians and Native Americans	65,411
Migrant and Seasonal Farmworkers	63,429
Job Corps	612,889
Veterans' Employment	10,181
Pilots and Demonstrations	22,290

CURRENT SERVICES ESTIMATES
(Continued)

	1985 Current Services
Technical Assistance and Training.....	6,175
Labor Market Information.....	7,630
Research, Development and Evaluation...	12,758
NCEP.....	2,093
NOICC.....	3,140
Concentrated Employment Programs.....	10,509
Total, TES.....	3,757,561
Community Service Employment for Older Americans: General Funds.....	317,300
State Unemployment Insurance and Employment Services (SUIESO):	
General Funds.....	24,600
Trust Fund Transfer.....	2,456,608
Total, SUIESO.....	2,481,208
Total, Employment and Training Administration...	6,670,253
General Funds.....	(4,167,345)
Trust Fund Transfer.....	(2,502,908)
Labor-Management Services Administration	
General Funds.....	64,236
Employment Standards Administration	
S&E, General Funds.....	192,948
Trust Fund Transfer.....	23,246
Total, ESA.....	216,194
Occupational Safety and Health Administration	
General Funds.....	218,748
Mine Safety and Health Administration	
General Funds.....	155,620
Bureau of Labor Statistics	
General Funds.....	141,557
Trust Fund Transfer.....	20,420
Total, BLS.....	161,977
Departmental Management	
S&E, General Funds.....	100,115
Trust Fund Transfer.....	14,012
Total, S&E.....	114,127
Office of the Inspector General	
General Funds.....	40,670
Trust Fund Transfer.....	6,648
Total, OIG.....	47,318
Veterans Employment and Training Services	
Trust Fund Transfer.....	128,129

CURRENT SERVICES ESTIMATES (Continued)	1985 Current Services
Special Foreign Currency.....	70
Total, DM.....	289,644
General Funds.....	(140,855)
Trust Fund Transfer.....	(148,789)
Total, Department of Labor.....	7,776,672
General Funds.....	(5,081,309)
Trust Fund Transfer.....	(2,695,363)

BLACK LUNG BENEFITS ACT

Question: Your fiscal year 1985 budget justification reflects a decrease of 55 positions from the FY 1984 level in the black lung program. Would you provide me a breakdown of exactly where those positions are located and the function of each position?

Answer: The reduction of 55 Black Lung staff is occurring during the three-year period, FY 1983 - FY 1985. The majority of the reductions will be made in the National Office through attrition. Every effort is being made to maintain adequate staffing levels in the district offices where claims adjudication processing occurs. These staffing reductions will come, primarily, from clerical and temporary staff positions in the National Office.

UNAUTHORIZED STAFF CUTS

Question: Are your actions designed to preempt our decision on the FY 1985 appropriation?

Answer: Our proposed 1984 actions are not intended to preempt Congressional decision-making on the 1985 appropriation. They are intended to achieve, in the least disruptive manner possible, a reduction in staffing levels and realignment of staff consistent with our current estimate of expected workloads.

The 1984 appropriation for Program Administration recognized that the passage of the Job Training Partnership Act and the Wagner-Peyser amendments would have a major impact on the Federal role in training and employment programs. The development and publication of Federal regulations since the submission of the 1984 appropriation request and the further identification of management efficiencies and economies have resulted in the establishment of a Federal role smaller than that initially anticipated and the identification of a lower staffing level to accomplish that role.

We are confident that the proposed staffing levels are commensurate with the anticipated agency's workloads under the new legislation. It is expected that ETA will meet its basic mission

and that its programs will be conducted in conformity with Federal requirements and that they will be responsive to the goals and objectives established for them.

Question: You may be leaving us no other choice but to legislate personnel levels directly in appropriations bill language. What is your opinion of the desirability of such actions?

Answer: As a general rule, I do not believe this would be desirable.

The annual appropriations planning, development and authorization process is a lengthy one spanning approximately 18 months from initiation in an agency to enactment by the Congress. During this time many things can, and frequently do, occur in other forums which impact the number or distribution of personnel levels supported by an appropriation without impacting the funding level provided by the appropriation as the accomplishment of the goals and objectives established for the agency.

Procedures, such as those utilized by the Department of Labor in advising the appropriations committee of ETA's 1984 operational changes (i.e., meeting with staff and including information and displays in the 1984 columns of the 1985 President's budget appendix congressional justification materials), permit the Congress to be informed of such changes without requiring the enactment of legislation each time a change is requested.

VIOLATING CONGRESSIONAL INTENT ON BUREAU OF LABOR STATISTICS

Question: You intend to divert $750,000 appropriated for Bureau of Labor Statistics data collection to meet Federal pay raise costs. This was a specific initiative of the Senate Appropriations Committee, to improve data collection related to the service sector of the economy. The line-item veto has not yet been approved. Whose decision was it to simply ignore Congressional action on this matter--OMB or the Labor Department?

Answer: The budget is a tripartite operation in the executive branch, involving the Bureau, the Department of Labor, and OMB. This is not in any way a violation of budget authority since the language was included in the committee report and not in the actual appropriation language. The money is being spent.

Question: How do you explain the fact that the Bureau of Census is proceeding to spend the extra $1 million provided by Congress for a companion effort to refine its classification system for the service industry?

Answer: I am aware that the Bureau of Census is planning to spend the $1 million provided by Congress but I do not know the program, policy, or other factors considered by the Department of Commerce and OMB before making this decision.

Question: Since 70 percent of the labor force now works in the service-producing sector of the economy, don't you think it's time to improve data gathering in this area?

Answer: Both public and private users of Federal statistics have expressed their growing concern that Federal statistical programs are not keeping pace with the growth in the service sector of the economy. Although the Bureau has taken some steps in recent years to improve its data for the service sector using current resources, significant gaps still exist in coverage of major industries within the service sector. We intend to continue to make such improvements as we can within the requested resource level.

Question: Would you advise us to earmark funding for this program directly in bill language?

Answer: We do not believe earmarking of funding for this program would have solved the dilemma facing us. We will continue to follow the practice of fully considering Congressional intent as expressed in Committee reports and floor debate. We will continue to inform the Committee whenever we believe that circumstances warrant any deviation from that intent. Our dilemma in this case was the expressed Congressional intent that we use 1984 appropriations to hire staff and begin a program for which 1985 financing was not being proposed. In such a situation, earmarking would not have enabled us to attract capable staff or accomplish much in terms of program goals.

OFFICE OF PENSION AND WELFARE BENEFIT PROGRAMS

Question: It was recently reported in the press that the Department's pension program administrator will report directly to you. Could you please outline how the realignment of the pension program will strengthen the administration and enforcement of the pension law?

Answer: By separating the Office of Pension and Welfare Benefit Programs (OPWBP) from the Labor-Management Services Administration (LMSA), enforcement of ERISA will have greater prominence within the Department. This will result in increased access to the Secretary and more efficient operations. A major change resulting from the separation is that for the first time, the field enforcement staff is under the direct supervision of the Administrator of OPWBP. Increased control and communications in this area should have a very positive effect on enforcement of ERISA.

Question: Will it cost any more money to make the Office of Pension and Welfare Benefit Programs a separate agency within the Labor Department?

Answer: We believe that no additional costs will result from separating the two agencies. In FY 1985, the total budget for the two agencies will remain the same. Some staff may be transferred from LMSA support activities to OPWBP thereby

increasing the OPWBP total expenditures. We are working toward reducing overhead by reducing layers of review and therefore hope to strengthen program performance.

Question: Do you plan to submit an amended budget request to create a separate appropriation account for the agency?

Answer: We are not requesting any changes to the appropriations account.

COMBINING AGENCIES

Question: Now that the Labor-Management Services Administration is no longer responsible for Veterans' Re-employment Rights and Pension and Welfare Benefit Programs, its budget will be less than $32 million, about half of its fiscal 1984 level. Would it be cost-effective to combine the remaining functions of the Labor-Management Services Administration with the Employment Standards Administration?

Answer: As with any possible merger, there are many variable factors which must be considered in order to maintain maximum successful operation of agency responsibilities. Among the major factors to be considered are: organizational structures of the Agencies; size and program characteristics; duplication of effort; and, cost-effectiveness. Analysis of these factors would be the basis for deciding the feasibility of combining the remaining functions of the Labor-Management Services Administration with the Employment Standards Administration, or combining a part of the Employment Standards Administration into the Labor-Management Services Administration, or the feasibility of reconstituting the remaining functions of the Labor-Management Services Administration as a separate Agency.

DEPARTMENTAL MANAGEMENT
WOMEN'S BUREAU

Question: What suggestions can you offer to increase the status and visibility of the Women's Bureau within the Department of Labor?

Answer: We believe that the Women's Bureau already has very high status and visibility within as well as outside the Department of Labor. In organizational terms this is evidenced by the fact that the Women's Bureau reports directly to me, and serves as a member of the Department's executive staff.

In program emphasis terms, the Women's Bureau is the only agency in the Department which is exclusively devoted to improving the labor market status of one particular demographic subset of the labor force. No other agency is targetted according to sex or any other demographic characteristic. As the labor force participation of women has grown dramatically in the past decade, and is still growing, the Bureau has addressed a growing and varied list of issues having great significance to women workers, and is respected

as a source of information, technical assistance, and policy coordination for a wide range of subjects. I would expect them to continue to operate in this effective manner, and to maintain their high level of involvement in issues affecting working women.

Question: Why not elevate the Director of the Women's Bureau to the Assistant Secretary level?

Answer: The head of the Women's Bureau is designated a Director by virture of the original legislative mandate that authorized the Bureau in 1920. The legislation specifies that title. The question appears to imply that the change in title would raise the Women's Bureau to a higher organizational level, or would result in new reporting relationships within the Department. This assumption is not correct since the Director of the Women's Bureau has the same status as Assistant Secretaries, and other office heads who report directly to the Secretary of Labor, and who are considered an integral part of the policy making staff of the Department. Changing the title of the Director would not alter the status of that office, nor affect the purpose and mandate of the Bureau itself. I, therefore believe that there is no reason to change the current nomenclature.

SUMMER YOUTH FUNDING CUTS

Question: How long has it been generally known that the 12 percent cut approved by Congress for this summer's youth jobs program would actually translate to much deeper cuts in many big cities, due to formula changes in the authorizing legislation?

Answer: The Department early on suspected that many large cities would receive substantially less funding for the 1984 JTPA summer program than was provided in 1983 through the Comprehensive Employment and Training Act (CETA) due to the absence of a sub-state hold-harmless in the formula required by JTPA. A letter dated February 10 was sent by me to the Chairman informing the Committee of these probable funding decreases in larger urban areas.

Question: How much would be required to prevent any "service delivery area" from losing more than 12 percent of its 1983 summer youth jobs funding.

Answer: At present the Department does not have data comparing 1984 summer allocations provided to service delivery areas and 1983 allocations available to the comparable geographic areas. Sub-state allocations to service delivery areas are made by States using the formula in Section 202 (a)(2) and (3). There is no requirement that these service delivery area allocations be submitted to the Department.

EMPLOYMENT SERVICE POSTAGE COSTS

Question: In your letter to me of February 10, 1984, you indicated the Labor Department has already answered many of the questions regarding feasibility of State Employment offices effectively operating under a commerical mail system. Specifically, what have you learned about the feasibility of State-operated commerical mail systems?

Answer: The Department directed all State Employment Security Agencies (SESAs) to develop their own mailing procedures in April 1983 with implementation to be effective October 1, 1983. All SESAs were operational to process their own mailings on this date proving the feasibility of such a changeover.

Question: What are the projected cost savings of such a system compared to the indica mail system now utilized?

Answer: No estimate of savings is available for State Employment Security Agencies because of the difficulty of doing a cost study for an agency whose mailing cost fluctuates with workload that is driven by economic conditions. However, studies made available by the Veterans Administration and the Department of Army indicate postage savings of as much as 21.5 percent a year for the Veterans Administration and $6.6 million a year for the Department of Army. It is expected that such savings would result by converting from an indicia mailing system to a metered mailing system as contemplated by the Department for State Employment Security Agencies.

Question: If Congress were to give States the option of either continuing with indicia mail or operating their own metered mail systems, how would you overcome any administrative difficulties to carry out such an effort?

Answer: The Department believes that there is no real method of overcomming the administrative difficulties of this proposal. In the absence of postage costs data by State, it would be very difficult to devise a method to allocate funds to those States who propose to operate their own mailing system. Also, deleting these States from the sample used by the Postal Service for billing the Department for those States continuing the indicia would adversely impact the confidence level of the sample and the resulting postal billings.

JOB TRAINING ENROLLMENT LEVELS

Question: Your budget projects a decline in average enrollment levels under the job training block grant in Fiscal 1985, after increasing enrollment levels in Fiscal 1984. Is it wise policy to expand enrollments in Fiscal 1984, only to cut back in Fiscal 1985?

Answer: The decline in average enrollment levels is due to inflationary increases recognized in our pricing of the block grant program. However, we are optimistic that costs will be equal to or less than those occurring in program year 1984 and that the funds requested will support the same number or more persons.

Question: How much money would be needed to keep enrollments at the level projected for Fiscal 1984?

Answer: $1,969,400,000 would be needed. This is 4.4 percent more than the amount requested for Title II-A JTPA programs in program year 1984 and reflects the inflationary increases assumed in our pricing.

BLACK YOUTH UNEMPLOYMENT

Question: During the last 12 months, the overall civilian unemployment rate has dropped from 10.4 percent to 8.0 percent. Yet, during the same time span, black youth employment has increased from 47 to 48 percent. Why hasn't the general economic recovery, combined with multi-billion dollar Federal job training programs been able to reduce black youth unemployment?

Answer: The evidence suggests that the economic recovery is having a beneficial impact on black youth. For example, between January (the month cited in the question) and February 1984, the unemployment rate for black youth, 16-19, dropped from 47.9 percent to 43.5 percent. While month to month rates for the black youth cohort can fluctuate widely, the recent trend appears to be positive. Nevertheless, black youth unemployment remains unacceptably high, as it has for many years, and is one of the most intractable of labor market problems.

Although the primary answer to black youth unemployment is continued orderly expansion of our economy, we believe the new Job Training Partnership Act can make an important contribution in helping black youth acquire the training necessay to benefit from a growing economy.

Question: What ideas do you have about how job training programs can be more effectively targeted to assist minority youth?

Answer: The new Job Training Partnership Act, which has just gotten underway, is the result of extensive deliberations in the Administration and the Congress on how best to address the problem of unemployment in general and such issues as targeting in particular. While local Private Industry Councils and chief elected officials determine the clientele groups to serve in their Service Delivery Areas, specific provisions in the law, such as the requirement that 40 percent of the funds in the basic program be used for youth and the requirement that 90 percent of those served be economically disadvantaged assure that a significant

portion of the funds will be used to serve minority youth. Moreover, the design of other JTPA programs, such as the Job Corps and the Summer Youth Employment and Training Program, is such that a high proportion of service to minority youth is assured. In view of these factors, we believe that consideration of further targeting should be deferred until we have an opportunity to carefully assess the results of the system we now have in place.

MANAGEMENT INITIATIVES

Question: The budget proposes implementation of so-called "management initiatives" eliminating mid-level (GS11-GS15) positions. How many of these positions in all will be eliminated?

Answer: Management initiatives, directed toward a reduction of personnel in the GS11-GS15 levels, propose to reduce staffing within these grades at a rate of 2% per year from 1985 to 1988. This would result in a decrease of an average of 253.4 positions during each year for a net reduction of 1,014 at these grade levels. The savings associated with this initiative are projected to be .55% of related salary costs for the first year and 1.1% thereafter, resulting in total savings of $18.8 million by 1989. This management initiative will not result in a net loss to the department.

Question: Will most of this be accomplished through attrition, and, if so, what problems do you anticipate will occur and how is the Department prepared to deal with these problems?

Answer: The entire reduction is expected to be achieved by turnover and replacement with lower grades. No reductions in the grades of current personnel are expected to be associated with this initiative.

No significant problems are anticipated as a result of a reduction of this magnitude. Productivity increases, the consideration of Departmental management functions, and efficiency gains resulting from other management initiatives will enable the Department to accomplish this reduction with no alteration in current capabilities or functions.

Past experience with turnover rates indicate that a reduction to the projected level may be attained with no adverse impact on current personnel.

Question: The budget indicates you will revise promotion and career ladder policies and regrade positions? Elaborate on what you intend to do and how regrading will be accomplished?

Answer: In order to determine the optimal means of achieving this goal, a workgroup has been developed and is currently evaluating the grade structure throughout the Department. Due to the importance of the Department of Labor's enforcement activities, alternatives are receiving careful scrutiny to assess all of the potential consequences of any action. In order to ensure that there will be no immediate or future adverse effects from the regrading of

personnel, the findings and proposals of this workgroup will undergo an extensive process of review prior to the development of a policy and its implementation.

GRACE COMMISSION RECOMMENDATIONS

Question: The Grace Commission made numerous recommendations with respect to Labor Department programs. Which recommendations have already been implemented, at what estimated cost savings?

Answer: The Grace Commission made a number of specific recommendations related to the Department of Labor which were grouped into 14 major recommendations. They are:

Improve FECA information systems and reports to reduce improper FECA payments. The Department accepted four of the six specific recommendations in this area. Those recommendations accepted were: development of a statistical package to assist in the detection of abuse, establishment of criteria for identifying situations that deviate from the norm, development of management reports to identify potential abuse, and development of a centralized doctor file.

Assign Ten Full-Time OWCP Staff to Investigate Long-Term Disability Cases. The Department accepted all recommendations in this area.

Delegate Responsibility for Routine FECA Medical Payments to the Individual Government Agencies. The Department accepted all specific recommendations in this area contingent upon a determination as to whether this can be accomplished administratively or through legislative change. It is the position of the Department that legislation is needed.

Institute a Program of Productivity Measurement and Productivity Improvement Throughout the Department. The Department accepted all specific recommendations in this area.

Restructure the Department's Regional Office Organization. The Department accepted all recommendations in this area.

Establish Central Control Over the Acquisition and Management of All ADP Equipment, Services and Personnel; Give Priority Consideration to Purchasing ADP Services From Contractors When Major Changes are Being Considered. The Department accepted most of the specific recommendations in this area.

Establish Area Wage Scales for the Federal Civilian Non-Supervisory White Collar Workforce. While the Department supports this general principle it could not be accepted based on the fact that the recommendation has government-wide implications that must be addressed legislatively.

Reduce Telephone Equipment So That It Conforms With Private Industry Standards. All recommendations in this area were accepted.

Control Long Distance Telephone Usage. The Department accepted both specific recommendations in this area.

Implement Procedures to Insure that Career Ladder Promotions are More Directly Related to Performance. The Department accepted all specific recommendations in this area.

Restructure the Department's Procurement and Contracting Activities. The Department accepted all specific recommendations in this area.

Seek Legislation to Raise the Threshold for Coverage Under the Davis-Bacon Act, and Implement the DOL Proposed Regulatory Reform. The recommendation for implementation of the 50 percent prevailing wage rule and making changes in other Davis-Bacon Act regulations were accepted. The specific recommendation to amend the Davis-Bacon Act threshold for coverage from $2,000 to $25,000 was deferred due to the desirability of awaiting completion of an Office of Federal Procurement Policy (OFPP)/ Office of Management and Budget (OMB) study of overall procurement issues.

Amend the Walsh-Healey Act to Remove 8-Hour Overtime Pay Threshold. The Department has supported legislation to amend the Walsh Healy Act.

Seek Legislation and a Change in DOL Regulations to Raise the Threshold of Coverage for the Service Contract Act and Change the method of Computing Prevailing Wages. A specific recommendation calling for revised regulations related to successorship provisions, insuring that wage determinations reflect local rates, and exclusion of ADP and high technology equipment from coverage has been accomplished pending court approval in a case brought by the AFL-CIO. The specific recommendation to amend the Service Contract Act to raise the minimum threshold for coverage from $2,500 to $25,000 was deferred until completion of the OFPP/OMB study on overall procurement policy. However, the specific recommendation calling for separation of manufacturing from nonmanufacturing pay data in preparation of a wage determination was not accepted because of its questionable legality, complexity of data collection and additional costs.

The Department is currently implementing 11 of these major recommendations, some of which have been incorporated into the "Reform '84" initiatives.

Question: How much do you estimate would be saved in fiscal 1985 if all the Grace Commission recommendations for the Labor Department were implemented?

Answer: The Grace Commission recommendations would have varied implementation dates, and in fact, some are still under study for the feasibility of their implementation. Therefore, it is not possible to give an estimate of 1985 savings related to the recommendations as a whole. Where savings could have been achieved in the 1985 budget they have already been factored into the estimates currently before the Congress.

Question: What is your timetable for implementation of Grace Commission Recommendations?

Answer: All of the recommendations are being studied extensively in order to develop a timetable for the completion of

their implementation and to assess the full extent of the savings associated with them. At this point milestones for the completion of this effort have not been established and a more precise projection of savings is not yet available.

SPECIAL VETERANS EMPLOYMENT PROGRAMS

Question: Your budget earmarks $8,846,000 for special veterans employment programs, as required by law. This gives most states $100,000 or less to implement projects. What can states realistically be expected to do for veterans with such limited funding?

Answer: While it is true that the majority of States are targeted to receive less than $100,000 from the Office of the Assistant Secretary for Veterans' Employment and Training (OASVET), in most cases the grantees match or exceed the Title IVC grant amount. In the first round of awards, the grantees devoted approximately $5.8 million in funds from other sources or in-kind services, thereby nearly doubling the resources for these special projects. What each project will do for the three legislatively mandated veteran target groups varies, since the competitive grant process required that each proposed project's goals directly correspond to the area needs assessment.

IMPACT ON OTHER VETERANS PROGRAMS

Question: Has the existence of this small earmarked funding for veterans nevertheless resulted in diverting attention away from serving veterans with the remaining multi-billion dollar resources available under the Job Training Partnership Act?

Answer: No, we do not think that the availability of the Title IVC funds has resulted in veterans not being served under other JTPA titles. The Title IVC projects focus on the special needs of one or more of the three target groups prescribed in Section 441 of the Act. Other veterans, such as older veterans and veterans who are dislocated workers, are being served by JTPA programs earmarked for older Americans and dislocated workers, simply because veterans comprise a significant number of those categories of the unemployed, in many areas. We have no evidence that veterans are being discriminated against due to their veterans status and the availability of Title IVC grants.

VETERANS' EMPLOYMENT PROGRAMS

Question: What specific steps are being taken to see that veterans are adequately served under all programs authorized under the Job Training Partnership Act?

Answer: The Department of Labor, Veterans' Employment and Training agency, is presently soliciting grant applications for the provision of employment and training programs in accordance with Title IV, Part C of the Job Training Partnership Act. Implementing regulations that provide guidance for the proper administration and development of such programs authorize numerous activities to enhance services provided to veterans by other providers of employment and training services funded by Federal, State, or local government, as well as directly provide employment and training services.

STATUS OF LEGISLATION TO EXPAND THE BENEFITS REVIEW BOARD

Question: After repeated delays, the Committee finally received on February 15, 1984 the Black Lung Report that was originally due December 1, 1983. This report seems to indicate the most significant bottleneck is in the Benefits Review Board, where you support legislation to expand the Board from 3 to 7 members. What is the status of legislation to expand the Benefits Review Board?

Answer: Legislation to expand the Benefits Review Board has been passed by both houses of Congress in differing versions and is presently pending before a joint Senate-House conference committee to resolve these differences.

INCREASED BLACK LUNG CASE DISPOSITION

Question: How much more quickly would Black Lung cases be disposed of with a seven-member board?

Answer: It is estimated that a three member Benefits Review Board can dispose of approximately 1,440 Black Lung cases per year. If the Board were increased to seven members, the disposition level is estimated to increase to 2,640 Black Lung cases per year.

ADDITIONAL COST OF EXPANDED BENEFITS REVIEW BOARD

Question: What would be the extra cost of a seven-member Benefits Review Board, including support staff, in fiscal year 1985?

Answer: The additional FY 1985 cost of increasing the Benefits Review Board from three to seven members including support staff is estimated to be approximately $1.2 million.

WORKERS' COMPENSATION/BOSTON OFFICE

Question: Your budget justification claims to be giving increased emphasis on solving systemic problems in the Federal Employees' Compensation Program. Yet I continue to get complaints in Connecticut about the surly and unresponsive attitude of staff in your Boston Regional Office -- and frustrating delays in

processing cases. Will you personally look into this problem and let me know what can be done to bring about long overdue improvements?

Answer: The Federal Employees' Compensation Program (FEC) in the Boston Office has been beset by a number of problems which are the basis of your concerns. Central to these problems was the very high turnover of experienced claims examiners (over 40 percent for Boston as compared to 15 to 20 percent for the program overall), and vacancies in top management positions in the office. These vacancies have now been filled. We do have somewhat of a backlog because extensive training for the new claims examiners is currently underway. With the new managers and trained and experienced claims examiners, we expect to see improved performance in the Boston Office before the end of the current fiscal year.

We are also focusing considerable effort on completing the adjudication of older cases while continuing to process new claims within established standards for timeliness. We will continue to pay close attention and provide support to the Boston Office operations to assure further improvements in its performance.

Questions Submitted by Senator William Proxmire

CONSOLIDATION OF REGIONAL OFFICES

Question: Mr. Secretary, a Grace Commission study pointed out that your regional office staffs vary greatly in size, ranging from 320 in Seattle to almost 2,500 in Philadelphia. The study recommended that you reduce the number of regional offices by combining Boston with New York, Kansas City with Denver, and Seattle with San Francisco. Are you actively studying this possibility?

Answer: The Department has undertaken a full study of its regions subsequent to the Grace Commission's recommendations. As part of the Cabinet Council on Management and Administration's (CCMA) review of the Federal field structure, DOL initiated a review of its operations in the three smallest regions (Boston, Kansas City and Seattle) to determine if there were functions that could be transferred to larger adjoining regions. As a result of the review, more than 50 positions were identified which could be abolished by transferring functions from the three smallest regions to the New York, Denver and San Francisco regions.

DOL is also reviewing the administrative support function in Boston, Kansas City and Seattle to identify where additional cuts could be made or the functions transferred to larger adjoining regions.

Currently, of the 13 major DOL agencies, only six still utilize the ten standard Federal regional structure as outlined in OMB Circular A-105. Among the other seven agencies, one has nine regions, two have eight regions, two have six regions, and two utilize a district office alignment rather than formal regions due to the nature of the work. For example, the location of coal

mines will dictate the site of Mine Safety and Health Administration (MSHA) offices; harbors and seaports determine where longshore workmen's compensation offices are located, etc.

REVIEW OF REGIONAL OFFICE STRUCTURE

Question: The same study pointed out that each of your agencies located in a regional office had a constant overhead expense regardless of the size of the agency in that region. Consequently, the smaller the regional office, the higher the overhead costs as a proportion of total staff costs. The study recommended that each of your agency's review its regional office structure and, where appropriate, eliminate the layer of supervision between the regional administrator and the heads of program offices. Are you investigating this suggested approach?

Answer: The Department of Labor conducted an extensive review of its regional structure. The review included an analysis of each agency's managerial and supervisory layers in the regions.

On September 30, 1983, Secretary of Labor Donovan in response to a Presidential memorandum of August 30, 1983, issued a memorandum advising each DOL Agency Head that the Cabinet Council on Management and Administration (CCMA) was initiating a review of DOL's regional structure.

The Secretary requested that each Agency Head appoint a key official with extensive knowledge of their agency's regional operations to serve on a Departmental taskforce to examine the DOL regional structure and address the major concerns highlighted by the CCMA.

The areas reviewed included, among others, the possible reduction of organizational layers between headquarters and the field; the elimination of unnecessary offices; and the improvement of supervisor-to-worker ratios through consolidations, colocations, and streamlining of regional offices and functions.

Each DOL agency reviewed their regional structure and identified areas where improvements were possible and savings could be realized through any one or all of the initiatives listed above. Workplans were developed by each agency based on the problems identified and are currently being monitored as part of the Reform 84/88 project.

For example, the Labor Management Services Administration (LMSA) identified and abolished three managerial positions in the region (Deputy Area Administrator positions) and are reviewing the others. The Employment and Training Administration (ETA) eliminated 90 GS-14/15 positions in the regions during FY 1983. Most of these positions were managerial and supervisory in nature. ETA is also reviewing the need for the Deputy and Assistant-type positions in the Bureau of Apprenticeship and Training (BAT) regional offices.

Question Submitted by Senator Daniel K. Inouye

COMMUNITY SERVICE EMPLOYMENT PROGRAM FOR OLDER AMERICANS

Question: For the past two years the Committee has informed the Department of its concern that the unique needs of Pacific Island/Asian American elderly may not be adequately addressed by the present National Organizations which are supported under the Community Service Employment for Older Americans program. The Committee understands, for example, that residents of Hawaii are particularly interested in having the Department establish contractual arrangements with a new Pacific Island/Asian American organization since this is the only ethnic group presently not being served by "their own" organization. For the record, the Committee now requests that the Department provide a report detailing the extent to which the present National Oranizations have been able to serve the unique needs of this particular element of our population and further, that the Department document what, if any efforts have been made to work collaboratively with the Hawaii State Department of Labor and/or its Office of Elderly Affairs during the past year on this issue.

Answer: As of the end of the most recently completed program year of July 1, 1982, through June 30, 1983, a total of 1640 Asians and Pacific Islanders in 42 of 56 States and Territories were enrolled as participants in the Senior Community Service Employment Program (SCSEP). This number was 2.7 percent of a total enrollment of 61,585 participants. Asians and Pacific Islanders made up about one percent of the total population aged 55 or older of the United States and its territories. It can be reasonably concluded that Asians and Pacific Islanders are equitably represented in the SCSEP.

The SCSEP in the State of Hawaii is administered by the State of Hawaii Department of Labor and industrial Relations. (There are no national contractor sponsors involved). Should the State of Hawaii wish to contract some or all of their funds utilizing a "new Pacific/Asian American organization," they are free to do so.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATEMENT OF PATRICK J. O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

ACCOMPANIED BY:

CAROLYN M. GOLDING, DIRECTOR, UNEMPLOYMENT INSURANCE SERVICE, OFFICE OF EMPLOYMENT SECURITY

JANICE M. SAWYER, ADMINISTRATOR, OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS

PREPARED STATEMENT

Senator WEICKER. We will now hear from Mr. Pat O'Keefe concerning appropriations requests for the Employment and Training Administration.

We have only touched on some job-training issues with Secretary Donovan, so perhaps you can submit your prepared statement for the record, and supply us with the highlights, Mr. O'Keefe.

Mr. O'KEEFE. Good morning, Mr. Chairman. As you suggested, we will submit for the record our formal statement.

[The statement follows:]

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Statement of Patrick J. O'Keefe

Mr. Chairman and Members of the Committee, thank you for this opportunity to appear before you. The 1985 budget request which you have under consideration totals $6.5 billion and is comprised of $4.7 billion for training and employment programs, $1.7 billion for income maintenance programs, and $111.1 million for program administration.

The 1985 request covers the program year July 1985 through June 1986 for programs authorized under the Job Training Partnership Act of 1982, including the Wagner-Peyser Amendments, and the Older Americans Act. All other programs and accounts are operated on a fiscal year funding basis.

In 1985 the Job Training Partnership Act will be in its second full year of operation. Program performance standards will be in place and operations will be assessed and refined as appropriate. The request for training and employment programs, including employment service operations, is basically steady state, with small upward and downward changes that net to an increase of less than two-tenths of one percent when twelve-month funding levels are compared.

The amount requested for Community Service Employment for Older Americans will continue the program at its 1984 level. However, the State grants portion, which represents 22 percent of the requested funds, is proposed for transfer to the Department of Health and Human Services, (HHS) in 1985. This change will facilitate the consolidation of grant resources for services for the aging population in one agency and allow the allocation of those resources through one formula. The resources transferred to HHS will be used only for community service employment.

In the income maintenance area, funding has been requested consistent with economic assumptions and estimates of eligible beneficiaries. A new quality control program will be instituted in 1985 in unemployment insurance which will ensure that the program's large benefit outlays are protected from error and abuse.

The Program Administration request incorporates a decreased staffing level that reflects the reduced Federal role resulting from implementation of JTPA and the Wagner-Peyser amendments as well as management initiatives designed to streamline operations, reduce unnecessary overhead, and eliminate layering in field and national office administrative operations.

TRAINING AND EMPLOYMENT SERVICES

The 1985 request for the Training and Employment Services appropriation is $3,610.6 million, a net increase of $5.4 million from the comparable twelve-month 1984 level of $3,605.2 million. The services to training participants funded by the 1985 request will be approximately the same level as those funded in the prior program year.

The request provides funding for two major activities: Grants to States totalling $2,833.7 million and Federally Administered Programs totalling $776.9 million.

Grants to States

Three State operated programs are funded within the Grants to States activity: the basic Block Grant training program; the Summer Youth Employment and Training Program; and the Dislocated Worker Assistance Program. Funding for the State operated programs is distributed primarily by statutory formula. Training and supportive services provided by these programs are designed to promote the unsubsidized employment of program participants in the private sector after they have learned marketable skills.

The 1985 request for the basic Block Grant program is $1,886.2 million and will fund an estimated 348,300 service years at a unit cost $5,415.

The increased emphasis on training begun in prior years will be continued in the Summer Program in 1986. The request is $724.5 million, the same amount available for the program for the summers of 1984 and 1985, and is anticipated to serve 718,100 economically disadvantaged youth during the summer of 1986. Legislation is being proposed to establish a special Federal youth opportunity wage of $2.50 per hour for the employment, between May 1 and September 30 of each year, of youth under 22 years of age. When enacted, a rescission reducing Fiscal Year 1984 availability by $174 million and an amendment reducing the Fiscal Year 1985 request by $87 million will be submitted. However, the number of youth served by the program will not change.

The Dislocated Worker Assistance program under the Administration's request will remain constant at the $223 million funding level in 1985. The program is designed to meet the job search, relocation, and retraining needs of displaced workers. Federal funding will be matched by the States and an estimated 46,400 service years of training will be provided by the total funding level. These funds will also be used to meet the training needs of workers certified under the Trade Act of 1974, as amended.

Federally Administered Programs

The request for federally-administered JTPA programs is $776.9 million, a net increase of $5.4 million over the 1984 level of $771.5 million. The major portion of this request is for administration of the Job Corps at a level of $600 million supporting 40,544 service years of training. The request, a net increase of $22.5 million over the 1984 program year level, partially offsets built-in mandatory unit cost increases through an extensive program of cost savings measures.

Of the remaining $176.9 million, $131.4 million is requested to provide national level programs for certain groups with special labor market disadvantages, including native Americans ($62.2 million), migrants ($60.4 million) and veterans ($8.8 million) and $45.5 million is for national activities, including program support and national commissions.

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

The request for the Community Service Employment for Older Americans is $317.3 million, the same level appropriated in 1984, and is divided between two budget activities: national programs at $247.5

million and State programs at $69.8 million. Funding provided in 1985 will support activities during the program year beginning July 1, 1985 and will provide 62,100 average enrollments at an average unit cost of $5,111.

Beginning in 1985, the State grants program will be transferred to the Administration on the Aging in the Department of Health and Human Services and distributed for part-time work opportunities under the formula contained in Title III of the Older Americans Act. Authority to make this distribution change is contained in the appropriation language for this account.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

The 1985 request for State Unemployment Insurance and Employment Service Operations is $2,446.1 million. For the unemployment insurance operations the request is $1,664.4 million, which will support workloads anticipated under the projected total unemployment rate of 7.6 percent and insured unemployment rate of 3.3 percent. In addition to net mandatory increases of $78.8 million, additional contingency funds of $5.0 million are being requested to cover the cost of State law changes, in excess of amounts available in the base appropriation, in those wage request States which choose to convert to a wage record system. A decrease of $3.3 million is proposed for the Continuous Wage and Benefit History program which will be discontinued in 1985 since the data generated by the participating States is insufficiently complete and representative to provide a valid basis for national policy development. Resources and management attention will instead be concentrated on instituting a basic Quality Control program to assure that the large unemployment benefit outlays are protected from error and abuse. The quality control initiative will include detailed case reviews on a sample basis and analysis of major facets of the Unemployment Insurance program. Building on the random audit experience, this new initiative is designed to reduce error rates while improving the effectiveness of program administration. Effective April 1, 1984, the rate for contingency nonpersonal services will be increased from 6.5 percent of personnel costs to 12 percent of personnel costs. This action will provide additional funds to cover nonpersonal service costs related to contingency workload that State agencies have been experiencing.

The request for the Employment Service is $781.7 million and is composed of $740.4 million in formula State allotments for the program year July 1, 1985 through June 30, 1986, and $41.3 million for National Activities for Fiscal Year 1985. The $740.4 million for formula State allotments is equal to the resources available for the 1984 program year and includes $12.7 million to pay the estimate costs of penalty mail directly to the U.S. Postal Service. The $41.3 million for National Activities includes $20.0 million for the Targeted Jobs Tax Credit program which was financed at the same level under the Training and Employment Services account in 1984, and $.7 million to reflect expected cost increases for other reimbursable agreements including labor certification activities.

Several other changes in the 1985 request need to be mentioned. The Labor Market Information subactivity of the Employment Service has been transferred to the Bureau of Labor Statistics which has responsibility for the actual data collection and analysis. Trade Adjustment training, job search and relocation activities will be funded in 1985

under the Dislocated Worker Assistance Program in the Training and Employment Services account. The increase you provided for the Dislocated Worker Assistance Program, through the appropriation of $223 million for the 1984 program year, provides sufficient resources to enable us to cover the Trade Adjustment Program in Fiscal Year 1985 from that account. The Veterans' Employment Services program is being requested as part of the appropriation for the Assistant Secretary for Veterans' Employment and Training in 1985.

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

In 1985, no request is made for this account since sufficient resources will be available from the 1984 appropriation to finance the 1985 requirements totaling $1,642.0 million. The FY 1985 requirements are to provide general fund advances to the Unemployment Trust Fund ($1,230.0 million), and to the Black Lung Disability Trust Fund ($412.0 million). Funds for the Unemployment Trust Fund will be used predominantly to pay Federal Supplemental Compensation benefits through March 31, 1985 ($1,100.0 million), and to provide advances to the Federal Employees' Compensation Account ($130.0 million) to cover benefit payments for eligible ex-servicemembers and ex-Federal employees.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

The Federal Unemployment Benefits and Allowances appropriation request is $56.0 million. The request includes $51.0 million for Trade Adjustment Assistance benefits and $5.0 million for unemployment benefits and for health and pension costs on behalf of individuals covered under the Redwood National Park Expansion amendments.

PROGRAM ADMINISTRATION

The request for ETA's Federal staffing requirements totals $111.1 million and 1,764 positions and represents a net decrease of $11.7 million and 317 positions from the comparable 1984 level of $122.8 million and 2,081 positions. It is expected that by the end of 1984, over 200 of the 2,081 positions authorized for 1984 will be vacant, requiring a 1985 reduction of 103 positions. Such a reduction can be managed through attrition.

We believe the 1,764 positions requested for 1985 is commensurate with anticipated workloads and consistent with the Federal role embodied in the various training and employment legislation authorizing the programs ETA administers.

The passage of the Job Training Partnership Act and the Wagner-Peyser amendments had a major impact on the Federal-State role in training and employment programs. The legislation restructured the delivery system, substantially reducing the number of grantees, Federal regulations, and Federal oversight and program monitoring responsibilities. At the same time, the legislation emphasizes State roles and a larger private sector involvement.

A restructuring of ETA to reflect the reduced Federal role and to achieve management economies and efficiencies will be accomplished through a comprehensive reorganization of ETA later this year, requiring fewer Federal staff. Currently numerous efforts are

underway to maximize voluntary attrition and thereby minimize involuntary reductions in force.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or the Members of the Subcommittee, may have.

Biography of Patrick J. O'Keefe

Patrick J. O'Keefe was named Deputy Assistant Secretary for Employment and Training in February 1984. Prior to that he had served as Acting Deputy Assistant Secretary.

Mr. O'Keefe is responsible for the day-to-day management of the Federal government's training and employment services. He provides policy and management direction to the administrators of such activities as job training and employment services legislated by the Job Training Partnership Act (JTPA) and the Older Americans Act; unemployment insurance and employment service operations; apprenticeship programs; programs authorized by the Trade Act; and the Targeted Jobs Tax Credit program.

Previously, Mr. O'Keefe served as the Administrator of the Office of Strategic Planning and Policy Development in the Employment and Training Administration.

Mr. O'Keefe was responsible for directing the nationwide transition from the Comprehensive Employment and Training Act to the Job Training Partnership Act which was signed into law in October 1982, and which became effective October 1, 1983. He directed the development of the JTPA Implementation Plans, the proposed and final regulations, and the performance standards for the programs under JTPA.

Mr. O'Keefe has a Bachelor's Degree in Economics from the University of Scranton, and a Master of Science in Human Resource Management from the University of Utah.

Mr. O'Keefe was born in New Jersey on March 6, 1947. He is married and has three children.

Department of Labor

Agency: Employment and Training Administration

Appropriaton: Training and Employment Services

Activity	1983 Actual	1984 Request	1984 Appropriation	1984 Revised Request	1985 Estimate
1. Grants to States.....	$3,115,221,000	$2,833,700,000	$5,067,112,000	$5,067,112,000	$2,833,700,000
a. Block grant.....	2,180,672,000	1,886,151,000	3,300,764,000	3,300,764,000	1,886,151,000
b. Summer youth employment and training program.....	824,549,000	724,549,000	1,449,098,000	1,449,098,000	724,549,000
c. Dislocated worker assistance.....	110,000,000	223,000,000	317,250,000	317,250,000	223,000,000
2. Federally administered programs.....	886,011,000	760,230,000	1,352,296,000	1,332,296,000	776,924,000
a. Native Americans.....	68,915,000	62,243,000	108,925,000	108,925,000	62,243,000
b. Migrant and seasonal farmworkers.....	70,358,000	60,357,000	105,625,000	105,625,000	60,357,000
c. Job Corps.....	618,000,000	553,200,000	992,400,000	992,400,000	600,000,000
d. Veterans' Employment.	—	9,352,000	17,010,000	17,010,000	8,846,000
e. National activities..	108,738,000	55,078,000	108,336,000	108,336,000	45,478,000
f. Targeted Jobs Tax Credit.....	20,000,000	20,000,000	20,000,000	--	--
Total budget authority.....	$4,001,232,000	$3,593,930,000	$6,419,408,000	$6,399,408,000	$3,610,624,000

Appropriaton: Community Service Employment for Older Americans

Activity	1983 Actual	1984 Request	1984 Appropriation	1984 Revised Request	1985 Estimate
1. National programs.....	$259,524,000	$216,138,000	$247,494,000	$247,494,000	$247,494,000
2. State programs.....	59,926,000	60,962,000	69,806,000	69,806,000	69,806,000
Total budget authority.....	$319,450,000	$277,100,000	$317,300,000	$317,300,000	$317,300,000

Appropriaton: State Unemployment Insurance and Employment Service Operations

Activity	1983 Actual	1984 Request	1984 Appropriation	1984 Revised Request	1985 Estimate
1. Unemployment Compensation:					
a. State administration.	$1,098,443,000	$1,215,284,000	$1,285,284,000	$1,285,284,000	$1,299,977,000
b. National activities..	13,551,000	16,806,000	16,806,000	16,806,000	16,806,000
c. Contingency.....	840,876,000	657,310,000	587,310,000	587,310,000	347,617,000
2. Employment service:					
a. Allotments to States.	654,414,000	707,993,000	1,271,393,000	1,271,393,000	740,398,000
b. National activities..	25,912,000	18,380,000	18,380,000	40,607,000	41,300,000
c. Labor market information.....	19,409,000	22,627,000	22,627,000	--	--
3. Veterans Employment Services					
a. Disabled veterans outreach programs....	57,200,000	62,600,000	62,600,000	--	--
b. Local veterans employment representatives.	42,500,000	46,200,000	46,200,000	--	--
4. Trade adjustment activities.....	--	--	29,700,000	29,700,000	--
Total.....	2,752,305,000	2,747,200,000	3,340,300,000	3,231,100,000	2,446,098,000
Federal Funds.....	22,200,000	25,700,000	72,500,000	92,500,000	23,500,000
Trust Funds.....	2,730,105,000	2,721,500,000	3,267,800,000	3,138,600,000	2,422,598,000

Appropriaton: Advances to the Unemployment Trust Fund and Other Funds

Activity	1983 Actual	1984 Request	1984 Appropriation	1984 Revised Request	1985 Estimate
1. Advances.....	$11,059,000,000	$7,109,000,000	$7,109,000,000	$7,109,000,000	--
Total.....	11,059,000,000	7,109,000,000	7,109,000,000	7,109,000,000	--
Federal Funds.....	11,059,000,000	7,109,000,000	7,109,000,000	7,109,000,000	--
Trust Funds.....	--	--	--	--	--

Appropriaton: Federal Unemployment Benefits and Allowances

Activity	1983 Actual	1984 Request	1984 Appropriation	1984 Revised Request	1985 Estimate
1. Payments to former Federal Personnel.....	$161,000,000	$ --	$ --	$ --	$ --
2. Trade adjustment assistance.....	54,000,000	2,000,000	2,000,000	2,000,000	51,000,000
3. Unemployment assistance and payments under other Federal unemployment programs.....	15,000,000	5,000,000	10,000,000	10,000,000	5,000,000
Total.....	230,000,000	7,000,000	12,000,000	12,000,000	56,000,000
Federal Funds.....	230,000,000	7,000,000	12,000,000	12,000,000	56,000,000
Trust Funds.....	--	--	--	--	--

Appropriation: Program Administration

Activity	1983 Actual		1984 Request		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Comprehensive employment and training	184	$10,943,000	159	$9,502,000	159	$9,203,000	161	$9,267,000	138	$8,191,000
2. Employment security	318	20,134,000	277	19,224,000	277	17,900,000	278	19,151,000	231	17,235,000
3. Financial control and management systems	319	13,373,000	222	14,126,000	222	14,125,000	322	21,906,000	309	21,858,000
4. Executive direction and administration	117	10,539,000	193	10,271,000	193	10,252,000	120	6,798,000	95	5,719,000
5. Regional operations	1,079	57,612,000	896	54,521,000	896	52,404,000	938	52,700,000	759	46,387,000
6. Apprenticeship training	291	15,369,000	262	14,856,000	262	14,683,000	262	12,992,000	232	11,732,000
Total	2,308	127,970,000	2,009	122,500,000	2,009	118,567,000	2,081	122,814,000	1,764	111,122,000
Federal Funds	1,672	97,418,000	1,470	86,271,000	1,470	82,739,000	1,316	87,505,000	1,092	65,922,000
Trust Funds	636	30,552,000	539	36,229,000	539	35,828,000	765	35,309,000	672	45,200,000

INTRODUCTION OF ASSOCIATES

Mr. O'KEEFE. Joining me at the table, let me introduce them—Jan Sawyer, who is our Administrator of the Office of Financial Control and Management Systems, and Carolyn Golding, who is the Director of Unemployment Insurance Services in the Employment and Training Administration.

HIGHLIGHTS OF THE 1985 REQUEST

Let me just briefly hit on the highlights of our 1985 budget request, and then answer what questions you may have, sir.

Our fiscal 1985 request totals $6.5 billion. When you compare that to the fiscal year 1984 request, this is basically a steady state budget.

With the successful and timely implementation of the Job Training Partnership Act and the 1982 amendments to the Wagner-Peyser Act, we view fiscal 1985 as the year for consolidating the progress we have made over the past couple of years, so that our programs can have a solid foundation from which they can achieve the results we all expect of them.

For training and employment services for fiscal year 1985, our proposals include $1.9 billion for JTPA's block grant; $724.5 million for the Summer Youth Program; $600 million for the Job Corps; and $223 million for the Dislocated Workers Program.

For State unemployment insurance and employment service operations, we are proposing $2.4 billion. Unemployment insurance operations would get $1.7 billion; the employment service would get $781 million; with $740 million of that amount supporting basic labor exchange functions.

For community service employment for older Americans, we propose $317.3 million, the same level as fiscal year 1984.

For program administration we request $111 million.

This will provide ETA with adequate resources to carry out its responsibilities, and by restructuring the agency will make it more responsive to withdrawal under JTPA and Wagner-Peyser.

As I noted, Mr. Chairman, fiscal 1985 is the year in which we expect to build on the progress of the last 3 years.

One major new initiative that we intend to undertake this coming year is to expand and enhance the quality control in the unemployment compensation system.

Mr. Chairman, my colleagues and I are prepared to answer your questions.

STAFFING REQUEST IN 1985

Senator WEICKER. Mr. O'Keefe, on page 6 of your prepared testimony you state, and I quote: "It is expected that by the end of 1984, over 200 of the 2,081 positions authorized for 1984 will be vacant, requiring a 1985 reduction of 103 positions. Such a reduction can be managed through attrition."

This makes it sound as though your staffing reduction won't hurt anyone, but I question that. And, indeed, won't you in fact be creating most of those 200 vacancies by going out and firing Labor Department employees?

Mr. O'KEEFE. Mr. Chairman, the point that was being made at that juncture of the statement was going to what would happen in fiscal year 1985.

As you discussed with the Secretary earlier, we have proposed to conduct a one-time reorganization and reduction in force later this spring. We did come up and brief the staff of the committee early in January as to our changed plans, since we last appeared before this committee and discussed our 1984 budget request.

We fully anticipate that in late May we will conduct a reduction in force that will very clearly have adverse consequences for some of our employees. Several actions that the Secretary has taken and that we have taken within ETA should serve to reduce the number of employees who are adversely affected. But at this point we do not know that we will be able to save everybody from those consequences.

1982 MANAGEMENT STUDY

Senator WEICKER. Last year, former Assistant Secretary Angrisani testified that a thorough management study showed that 2,000 staff would be needed to carry out the functions of Employment and Training Administration over the next 10 years.

How do you, therefore, accomplish all the agency's functions with only 1,764 staff requested in fiscal 1985?

Mr. O'KEEFE. When Mr. Angrisani testified in the way that you just recounted, he was basing his observations at that point on a survey and a study that was done by our senior staff late in calendar year 1982.

That study is over 18 months old. It was at the time when the Job Training Partnership Act had just come through the Congress, the President had just signed it into law, and we were in the process of writing the regulations and implementing that program.

Over the past 18 months since that study was conducted, we have had an opportunity to assess how much progress we were able to make in bringing the program on line. We have been able to observe how many responsibilities the States have taken on which would be redundant if the Federal Government were to continue to do them.

On the basis of that, sir, we believe we have had to revise our numbers to bring them down so that we have on board staff that is adequate to carry out our job.

When it costs on average $60,000 a year to keep an employee on the payroll of the Employment and Training Administration, we would be remiss if we didn't review those figures of staffing levels, and act to bring them into conformity with the workload.

AVAILABILITY OF NEW STUDY

Senator WEICKER. Do you have a new study that you can give to the committee?

Mr. O'KEEFE. We do not have a formal review position-by-position. We do have a paper that we can submit at this point, which explains where the changes are being made, what functions are being retained, and the basis for the changes.

Senator WEICKER. All right, we will accept that.

[The information follows:]

EMPLOYMENT AND TRAINING ADMINISTRATION PAPER

INTRODUCTION

The Employment and Training Administration (ETA) plans to conduct an agency reorganization and reduction during Fiscal Year (FY) 1984. While the agency's appropriation for FY 1984 anticipated a reduction, the currently planned reduction-in-force will be somewhat larger than projected in the submission to Congress early in 1983. It is the purpose of this paper to outline the proposed reorganization and reduction so that those concerned with ETA's accomplishment of its mission can be assured that this will be done effectively, while avoiding unnecessary costs associated with excess staffing--it is important to recognize that, on average, each staff position in ETA costs $60,000 per year in salary, fringe benefits, space and other support costs.

BACKGROUND

As noted above, in its FY 1984 budget request, ETA planned a reorganization and reduction. In reviewing the experience of the year since that budget was formulated, taking further account of the significant shifts in the Federal role as a result of legislative actions and in assessing administrative and management efficiencies, it was recognized that additional streamlining would be possible, while assuring that the agency's resources were adequate to meet its basic mission and assuring that the programs within its purview are conducted in conformity with Federal requirements and are responsive to the goals and objectives that have been established for them.

Among the changes that place ETA in the posture of having more staff than is necessary to its basic mission are:

- The enactment of the Job Training Partnership Act (JTPA) to replace CETA. The new program expands significantly the role of the States in the administration and oversight of training and employment services; it also creates, at the local level,

a public/private partnership with considerable responsibility for assessing the adequacy of programs.

The enactment and implementation of JTPA:

- Reduced the number of ETA grantees (from about 475 to 57);
- Reduced detailed Federal requirements (e.g., regulations were cut by more than 75%) as the States assumed an expanded leadership role and administrative responsibilities;
- Redefined the Federal role to emphasize the accountability of the system.

All of these changes reduce the need for Federal level staff.

o The 1982 amendments to the Wagner-Peyser Act, passed as Title V of JTPA, altered the planning and administration of federally supported labor exchange activities. These amendments:

- Imposed a statutorily defined formula for allotting resources among the States, shifting away from a complex, administrative formula that required considerable data collection, analysis and manipulation;
- Revised the planning process to give the local service delivery areas a role in planning, with the State agency, the types of labor exchange services to be delivered; and expanding the within-State review of the State agency plans and consideration of alternatives to it;
- Setting aside 10% of the State's allotment for use by the Governors in improving performance, meeting special needs and testing different approaches;
- Creating a new authority for funding, through reimbursable agreements, those needed activities that are not basic labor exchange services.

These statutory changes and the implementation of them further reduce the agency's staff needs.

- Legislative changes in 1981 authorized alternative approaches to the administration of the Work Incentive (WIN) program. One of these activities, the "WIN Demonstrations," involves approximately 20 States and reduces the ETA role in the program in those States. These changes, coupled with administrative streamlining in reporting and elsewhere, have reduced staffing needs in this area.

- Reductions in the Federal role generally and reductions in the amounts of nationally administered research, special national program and similar funds translate directly into reduced staff needs in the components responsible for those functions.

- Management initiatives have further reduced staffing needs. By removing unnecessary layers of management, through the more efficient use of support staff, through the consolidation of administrative functions, staffing requirements have been lessened through increased efficiency.

- There has also been a shift in functions to other components of the Department (e.g., increasing the role of BLS in labor market information, the expansion of the responsibility of the Office of the Assistant Secretary for Veterans' Employment and Training) and the expansion of the capacity of others (e.g., the OIG) has further reduced some of the demands placed on ETA.

It is in this context that ETA reconsidered its staffing needs and proposes reductions beyond those anticipated late in 1982, when the FY 1984 budget request was formulated.

APPROACH

Over the past decade, with one exception, ETA has been in a posture of reducing its staffing levels. For most of this period, the problem was addressed through hiring freezes and similar restrictions. As a result, imbalances occurred in the staffing pattern. By achieving a sustainable, stable level of employment in FY 1984, the agency will return to a more normal personnel policy for the long term.

To limit, to the maximum extent possible, the consequences of the reduction on ETA's employees, several actions have been taken, including:

- o A freeze on all hiring from outside DOL and a requirement that other DOL agencies hire ETA employees for jobs for which they qualify;
- o An extensive out-placement effort has been initiated;
- o Authority for early retirements has been requested;
- o A program of retraining and relocation is in place.

To minimize the disruption to agency operations and to permit the organization to attain stability as soon as possible, it was decided to accomplish the reorganization and the reduction in one action. It is planned that, in late May 1984, the reorganization and separation of employees will occur.

In combining the reorganization and full reduction into one action, ETA will achieve stability rapidly. Any alternative to this approach would mean retaining staff above levels justified by workloads; conducting more than one separation action in a brief span of time; and extending the morale problems (and consequent productivity effects) associated with any staff reduction.

Included in this document is a brief discussion of the agency's oversight plans for training and employment services. The agency's quality control efforts in unemployment insurance are reviewed also.

FEDERAL OVERSIGHT OF JTPA

February, 1984

Background

The Job Training Partnership Act, signed by the President on October 13, 1982, is rapidly approaching the end of its initial period of implementation and State and local planning has already begun for Program Year 1984.

During the first nine months of 1983, the employment and training system nationwide focused on completing and closing out activities under CETA, the establishment of Service Delivery Areas (SDA's) and appointment of Private Industry Councils (PIC's) at the local level, the formation of new administrative structures at the State level, the appointment of State Job Training Coordinating Councils, and the initiation of joint planning at the local level between State Employment Security Agencies and local elected officials and PIC's.

Once the new entities authorized by JTPA were established, the startup date of October 1, 1983 required a telescoped planning process for initial operations through June 30, 1984. This Transition Period has served as a shake - down period for the States, allowing them to implement and modify State administrative systems, and it has provided opportunity for State and local institutions to work out new relationships and partnerships by planning and operating programs.

By Program Year 1984, commencing for twelve months starting July 1, 1984, the structural aspects of the new system should be

largely established, and program delivery should take place in a more stable institutional environment.

As State and local partners move through implementation issues to management of on-going activities, the exercise of oversight responsibilities at the local, State, and Federal levels will assess how the new system is performing and the extent to which it conforms to the statute.

Multiple Levels of Oversight

JTPA provides for concurrent oversight activities initiated by local, State and Federal entities in the job training system. The following is a brief review of the JTPA oversight process as set forth in various provisions of the Act.

Local

Section 103 provides for Private Industry Councils to exercise oversight of SDA administration and operations, in partnership with units of local government. Section 103 defines oversight to include review, monitoring, and evaluation. Also, Title V JTPA Amendments to Section 8 of the Wagner-Peyser Act establish a planning oversight role for local elected officials and PIC's with respect to local State Employment Service operations.

State

The State has overall responsibility for management and administration of the job training system within the State, including oversight. State-level responsibilities for oversight are assigned to the Governor and State Job Training Coordinating Council. In many States, the legislature is taking an active oversight role. Section 122 gives the State Council broad authority to review operations in each SDA and to review State services, making recommendations of ways to improve program effectiveness to appropriate officials and to the general public. Also, Section 8(a) of the

Wagner-Peyser Act, as amended by JTPA, provides the State Council with authority to review and certify the State plan developed for the State Employment Security Agency.

Section 105 translates the Governor's responsibility for review and approval of SDA plans into oversight of local planning and performance goal setting, and oversight of compliance and adequacy of SDA-level management systems. Section 105 also provides for review of, and comment on, State plans by State legislatures. Section 106 extends the Governor's oversight role into measurement of SDA program outcomes against performance standards, and review of local implementation of State-required corrections for inadequate performance. Section 164 directs the State to establish financial controls, and independent financial and program compliance audits with its subrecipients, and to take action to ensure correction of identified deficiencies and violations, including, if necessary, revoking authority to operate.

Federal

Under Section 163 of the Act, the Secretary is authorized to monitor JTPA programs to determine their compliance with the Act. The Secretary of Labor is directed under Section 165 to conduct investigations of the use of funds received by States and otner recipients each fiscal year in order to evaluate compliance with provisions of the Act.

Section 164 contains special authority for Federal oversight of anti-discrimination provisions, which, under Department-wide regulations, the Secretary of Labor has delegated to the DOL Office of Civil Rights (OCR). Section 164 also recognizes the independent function of the DOL Office of the Inspector General (OIG) under the Inspector General Act, in conducting investigations to prevent fraud and misuse of funds. Finally, both Section 164 and 165 discuss oversight by the Office of the Comptroller

General to evaluate expenditures to assure consistency with the requirements of JTPA.

Section 454 requires the Secretary to evaluate the effectiveness of all JTPA programs on a continuing basis. Evaluations are to assess statutory goals, performance, impact and service delivery of programs.

Oversight Policy

The Employment and Training Administration (ETA) intends to carry out its oversight responsibilities in recognition of the multi-level oversight environment provided for in the Act.

The ETA is committed to assuring that programs under JTPA, including Title V, are conducted consistent with Federal law and regulation. In effecting its oversight responsibilities, the ETA will monitor recipients with particular attention to those areas where the Secretary has a direct role, for example, ensuring program integrity, equal access, and assessing performance. The ETA's policy recognizes the significant responsibility of the States, and of the PIC's and local elected officials in monitoring JTPA, and consequently does not intend for its oversight system to supplant or duplicate State or local systems. It is the policy of the ETA to conduct oversight that verifies the development, utilization, and effectiveness of State oversight and follow-up processes.

ETA's oversight system will include review of State level activities as well as local level programs in a sample of SDA's to verify and validate that State systems are operating accurately and appropriately. Verification will confirm whether State systems conform in operation to design, and to statutory and regulatory requirements. Validation will confirm accuracy of

State systems by corroborating with the system designs the data bases generated in operation.

ETA will coordinate its oversight activities with those of the OIG and the OCR within the Department, and will consult with the Office of the Comptroller General in the exercise of its responsibilities.

Initial Oversight Activities

Oversight was initiated before program operations began, when ETA staff joined field review teams with OIG staff and private CPA firms to complete pre-award surveys in all 57 States and territories serving as grantees for Title II and III JTPA programs.

This first phase was completed in September, 1983, and resulted in the identification of those States having satisfactory systems in place to bring JTPA on line as of October 1, 1983, and those States needing additional development in order to establish systems meeting statutory requirements. Findings of these pre-award surveys were shared with Governors and State officials promptly following field review, so that the States could begin to address system readiness problems.

During the second phase of ETA's oversight activity, ETA staff were dispatched in a nationally - directed effort to follow-up with each State to determine actions taken to address any problem findings from the pre-award surveys, and to assess whether steps had yet been effective in meeting deficiencies. Oversight work was linked with the offer of technical assistance from Federal resources and from organizations under contract with ETA to help in JTPA implementation. Field work for the follow-up surveys took place in January and February, 1984. Formal final reports of findings will be available to the States in March.

The ETA also moved ahead with plans to begin selective oversight during the remainder of the October 1983-June 1984 Transition Period, covering initially three priority areas: Cash Management practices at the State and subrecipient levels; discretionary Title III Displaced Worker Programs, and State operations under cost reimbursable agreements for specializied Wagner-Peyser Act programs. These three program areas will be the focus of ETA's on-site review activities during March-June 1984.

Planning and developmental work for the next phase of oversight -- to begin early in Program Year 1984 -- is now underway. This requires formulation of the overall oversight design, selection of elements for the total system, and preparation and field testing of review instruments for the elements identified.

Two major evaluations that are currently being conducted by the ETA under Section 454 are the Job Training Longitudinal Survey (JTLS) and the JTPA Process Evaluation. The JTLS collects data from a sample of 189 SDA's and from periodic surveys of participants. The JTPA process evaluation includes periodic studies of implementation in 20 States and 40 SDA's. A process evaluation will be started shortly to assess implementation of JTPA Title V Amendments to the Wagner-Peyser Act.

The Emerging Oversight Design

While oversight may develop across a broad spectrum of activities, for example, surveys on selected program areas and evaluations conducted under Section 454, ETA's present oversight focus is on Federally conducted on-site reviews. The long-term design for on-site reviews is being developed around three core systems:

- Integrity Systems
- Employment and Training Systems
- Labor Exchange Systems

Each core system will be the subject of focused field work by ETA staff teams during pre-scheduled State reviews in PY 1984.

Each of these three core systems encompass the following elements:

Integrity Systems	Financial Management
	Cash Management
	State Audit
	Management Information Systems
	Cost Classification
	Procurement Management
	Grievance Procedures
Employment and Training Systems	Performance Standards
	Eligibility Determination
	State Monitoring
	Services to Target Groups
	State Job Training Coordinating Council
	Certification of Local PIC's
	Local Plan Approval
	Program Limitations
	Other Statewide JTPA Programs
	Summer Youth Activities
	Title III Dislocated Worker Activities
Labor Exchange Systems	Wagner-Peyser Grant Plan and Compliance
	Reimbursable Grants

The Review Process

ETA has established the following sequence for Federally-conducted on-site reviews:

(1) The State is provided advance notice of ETA's schedule for on-sight review visits, and sent informational copies of the review instruments.

(2) Advance notice will also be provided to those SDA's to be reviewed on a sample basis.

(3) The State is offered a briefing in advance of actual visits on the scope of on-site work, reviewers' data/information needs, and the approximate length of time needed to complete the oversight segment.

(4) At the close of the review, the State is offered an informal briefing on findings.

(5) A written report of findings and recommendations, as appropriate, will be transmitted to the State.

(6) Periodic follow-up reviews will be conducted.

Phasing-In the Oversight Design

Plans call for phasing-in field review work for the balance of the oversight system starting in July 1984.

Core systems will be reviewed in each State at least once per year, but frequency and depth will vary depending upon the elements to be reviewed. For example, the importance of Cash Management will require, initially, monthly review of State balances and some sampling at the SDA level. Wagner-Peyser Cost Reimbursable Grants are being scheduled for quarterly review. The review of State Job Training Coordinating Councils, however, may be conducted on an as-needed basis following the initial oversight year.

The ETA will complete initial reviews in each core system by the end of Program Year 1984. Follow-up reviews will take place in Program Year 1984 and continue into Program Year 1985, during which a continuing cycle of core systems reviews will be scheduled. The overall approach to monitoring and the specific reviews conducted in each core area will be assessed on a continuing basis to assure that they respond to the agency's responsibilities and needs.

The following matrix summarizes the frequency and depth targets around which on-site review activities are being developed for Program Year 1984. It is estimated that about 70 to 85 percent of staff resources available for JTPA oversight in Program Year 1984 would be utilized to carry out plans described above.

FREQUENCY/DEPTH OF ON-SITE REVIEW ACTIVITIES [1/]

CORE SYSTEM AND ELEMENTS	FREQUENCY				DEPTH					
					STATES		SDA/LO		OTHER	
	MONTH	QUARTER	ANNUAL	OTHER	ALL	SAMPLE	ALL	SAMPLE	ALL	SAMPLE
INTEGRITY SYSTEMS:										
Financial Management			X		X			X		
Cash Management	X				X			X		
State Audit			X		X					
Management Information Systems			X		X			X		
Cost Classification			X		X			X		
Procurement Management			X		X			X		
Grievance Procedures			X		X			X		X
EMPLOYMENT AND TRAINING SYSTEMS:										
Performance Standards			X		X			X		
Eligibility Determination			X		X			X		
State Monitoring			X		X			X		
Services to Target Groups			X		X			X		
State Job Training Coordinating Council [2/]				X		X				
Certification of Local PIC's			X		X					
Local Plan Approval			X		X					
Program Limitations			X		X					
Other Statewide JTPA Programs			X		X			X		
Summer Youth Activities			X		X			X		
Title III Displaced Worker Activities			X		X			X	X	
LABOR EXCHANGE SYSTEMS:										
Wagner-Peyser Grant Plan and Compliance		X			X			X		
Reimbursable Grants		X			X			X		

NOTES: 1/ This matrix excludes evaluations conducted pursuant to Section 454 of the Act.
2/ All States will receive initial review.

UNEMPLOYMENT INSURANCE

No major changes are anticipated in the administration of the Unemployment Insurance (UI) program which involves:

- leadership and policy guidance to State agencies in the operation of the Federal-State UI program;
- providing direction in the administration of other wage-loss and adjustment assistance programs such as Trade Adjustment, Disaster Unemployment Assistance, unemployment benefits to ex-servicemen and Federal civilian workers;
- assessment of interpretation and application of Federal requirements for State conformity and compliance; and
- funding and oversight of the administration of State and Federal programs.

However, with expanded staff resources in both the National and Regional Offices, ETA plans to undertake a major new initiative, beginning developmental work this year.

This initiative is called the UI Quality Control program which is a new venture to improve program quality and reduce errors by the States in the payment of unemployment compensation benefits and in the collections of tax revenues under the Federal Unemployment Tax Act. The program is an outgrowth of the UI Random Audit program and other program integrity initiatives implemented by ETA. The Quality Control program represents an enhancement of the Random Audit system to bring the UI system into the ranks of other Federal income maintenance programs which have introduced quality control programs over the past 20 years.

ETA is currently examining the many design issues which a quality control effort presents, and expects to have an implementation plan available soon.

The following table identifies the resources we anticipate devoting to the quality control effort in 1984 and 1985 based on our current plans.

	1984	1985
Federal Staff	57	92
Dollars	$19,689,000	$23,352,400
National Activities	(3,889,000)	(6,652,400)
State Administration	(15,800,000)	(16,700,000)

REORGANIZATION CHANGES

- o With the reduction in ETA's ceiling - ETA has consolidated its components so that there are now 52 formal organizational units, a reduction of 19 from the current structure. (This is the net change, taking account of the addition of 3 units in UI for Quality Control and 4 in Office of Program and Fiscal Integrity for their expanded roles.)

- o With the elimination of the Office of the Associate Assistant Secretary, six major components will report directly to the Assistant Secretary, which includes the Deputy Assistant Secretary.

- o Unemployment Insurance Service (UIS)

  - Increased emphasis on program accountability led to a Quality Control initiative for which a new office and 2 divisions were established. This new group will be responsible for the design and implementation of a UI quality control system for which 32 positions were added to UI.

  - Other offices and divisions in UI remain the same.

- o United States Employment Service (USES)

  The USES has reduced its 4 offices and 10 divisions to 4 divisions to operate more effectively. This will eliminate duplicative administrative and support positions. It also reflects the reduced responsibilities of this office (e.g. in the development of formula allotments, in the formulation of detailed planning instructions, etc.). The functions retained are those essential to operating the Public Employment Service system, with greater relative emphasis in areas, such as the Dictionary of Occupational Titles, in which the Secretary has specific responsibility.

- o Office of Trade Adjustment Assistance

  The basic organizational structure of 2 divisions and a reports staff will remain the same.

- o Office of Regional Management

  Functions and structure remain the same with responsibility for the 10 ETA Regions.

- o OCET (retitled Office of Job Training Programs - OJTP)

  - OETP: With the phaseout of CETA and reduced Federal role for JTPA, a major reduction in staff was taken in the Office of Employment and Training Programs

which now has been reduced from an office with 4 divisions to an office with 2 divisions.

- OSTP: The Office of Special Targeted Programs, however, will continue at approximately the same level and with the same organizational structure for its programs:

  - o Indians and Native Americans
  - o Older Workers
  - o Farmworkers

- Job Corps: A program for severely disadvantaged youth, this organization combines its 3 divisions into 2 to achieve some management efficiencies, while retaining basic functions.

- BAT: BAT has combined its 2 formal divisions in the National Office and will operate directly with the BAT Regional Offices. In the field the BAT reductions will be achieved by more efficient utilization of administrative and support staff. Only one currently staffed area office will be closed and that in a State Apprenticeship Committee (SAC) State.

Office of Program and Fiscal Integrity (OPFI)

Reflecting the continuing emphasis on program accountability, OPFI has greatly expanded responsibilities. The previous Special Counselor Staff is combined with the Audit and Closeout functions (44 staff transferred from OFCMS) into the new OPFI which is established with 4 divisions.

Office of Financial Control and Management Systems

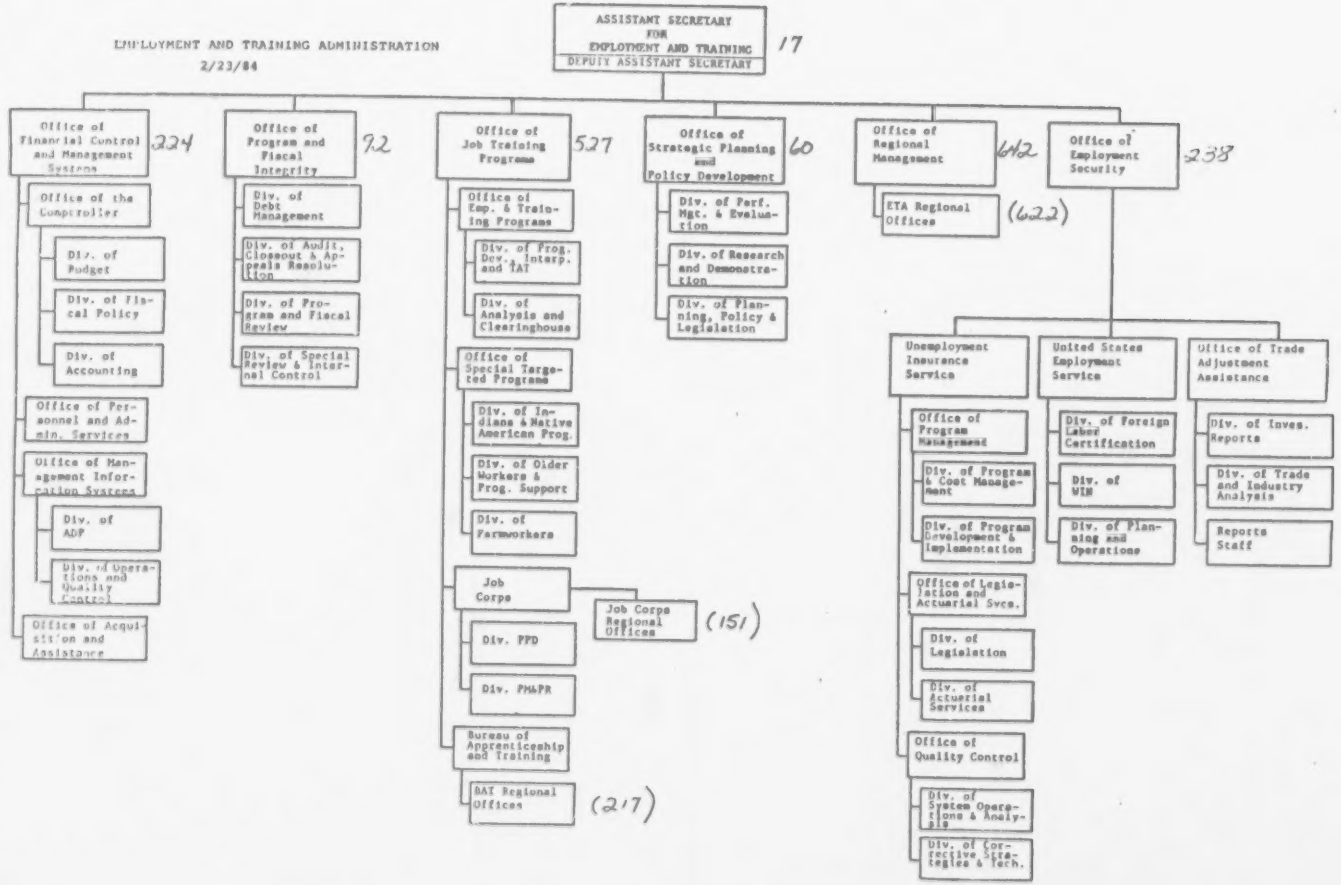
- This office remains essentially the same except for the transfer of the Audit and Closeout function to OPFI. Financial policy remains in the Comptroller's office.

- In the Office of Management Information Systems, 3 divisions were reduced to 2 divisions with the merging of systems design with reporting operations.

Office of Strategic Planning and Policy Development

- Public affairs and correspondence functions (ETACS) were added to this office from other areas of ETA.

- OSPPD will continue to carry out its primary responsibilities with fewer staff. The responsibilities of this office have been reduced significantly. With the reduction in the agency's policy formulation responsibilities and the reduced funding for research and demonstration activities, there is a lessened demand for staff in this area.


EMPLOYMENT AND TRAINING ADMINISTRATION
2/23/84
ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING
DEPUTY ASSISTANT SECRETARY
17
Office of Financial Control and Management Systems
224
Office of the Comptroller
Div. of Budget
Div. of Fiscal Policy
Div. of Accounting
Office of Personnel and Admin. Services
Office of Management Information Systems
Div. of ADP
Div. of Operations and Quality Control
Office of Acquisition and Assistance
Office of Program and Fiscal Integrity
72
Div. of Debt Management
Div. of Audit, Closeout & Appeals Resolution
Div. of Program and Fiscal Review
Div. of Special Review & Internal Control
Office of Job Training Programs
527
Office of Emp. & Training Programs
Div. of Prog. Dev., Interp. and TAT
Div. of Analysis and Clearinghouse
Office of Special Targeted Programs
Div. of Indians & Native American Prog.
Div. of Older Workers & Prog. Support
Div. of Farmworkers
Job Corps
Job Corps Regional Offices
(151)
Div. PPD
Div. PM&PR
Bureau of Apprenticeship and Training
BAT Regional Offices
(217)
Office of Strategic Planning and Policy Development
60
Div. of Perf. Mgt. & Evaluation
Div. of Research and Demonstration
Div. of Planning, Policy & Legislation
Office of Regional Management
642
ETA Regional Offices
(622)
Office of Employment Security
238
Unemployment Insurance Service
Office of Program Management
Div. of Program & Cost Management
Div. of Program Development & Implementation
Office of Legislation and Actuarial Svcs.
Div. of Legislation
Div. of Actuarial Services
Office of Quality Control
Div. of System Operations & Analysis
Div. of Corrective Strategies & Tech.
United States Employment Service
Div. of Foreign Labor Certification
Div. of WIN
Div. of Planning and Operations
Office of Trade Adjustment Assistance
Div. of Invest. Reports
Div. of Trade and Industry Analysis
Reports Staff

SAVINGS BY REDUCING STAFF

Senator WEICKER. How much money do you expect to save in 1984 by reducing staff of the Employment and Training Administration, below which Congress has provided funding for?

Mr. O'KEEFE. Fiscal year 1984? I will have to ask Jan Sawyer.

Ms. SAWYER. Mr. Chairman, given the timing of the RIF, May 25, 1984, our best estimate is that we would save approximately $341 per person. That is a comparison between what it would cost to keep a person on board all year.

Senator WEICKER. Counsel indicates to me that that does not appear in the budget request. Indeed, this is savings that you intend to use for severance pay, is that correct?

Ms. SAWYER. Clearly money that would normally be paid as personnel services to existing employees, will instead be utilized for severance pay and unemployment compensation.

Senator WEICKER. That's not authorized, is it?

Ms. SAWYER. There were amounts built into the budget for that. We will spend more than we had planned, because the RIF is larger than we had originally proposed. But you will recall in the original 1984 submission we had planned a reduction in force of approximately 150 people.

Mr. O'KEEFE. Mr. Chairman, if we are successful with the various initiatives we have taken to help place employees, we may wind up laying off no more individuals than we originally envisioned.

We would still bring our staffing level down. And, as the Secretary alluded earlier, he has frozen all hiring throughout the Department. We are aggressively seeking to place people elsewhere.

Senator WEICKER. I think I repeat what was agreed to with the Secretary, and reemphasize it here. Since it was done at the outset of the hearing, maybe the persons have forgotten.

That is, I sugggest that your staff get together with the staff of this committee and work this thing out so it conforms with the law. Nevermind the "presumes," what they think they can do. There is not going to be a unilateral performance here by the Department of Labor. And, hopefully, something can be worked out which has input from both the legislative and the executive branches.

Mr. O'KEEFE. Mr. Chairman, we will not only do that—we had our staff up here January 12, and we will have them up here as your staff needs, to keep them informed of what we are doing.

Senator WEICKER. I don't like to say this because my relationships with the Secretary have been very good. Indeed, I am very fond of him. But, at the staff level there have just been too many instances where it was thought that agreements had been arrived at, and they have subsequently been broken.

I am going to watch this one very, very carefully. And indeed, whatever is agreed to, better be lived up to.

RETRAINING UNDER THE TRADE ACT

Congress appropriated $29.7 million for retraining of workers adversely affected by foreign imports, as authorized under the Trade Act. Your budget proposes to abolish this program, but indicates the affected workers could be served under the Dislocated Worker Program with no additional funds requested for this purpose.

How many fewer workers would be retrained under your budget proposal, compared to the combined total expected to be retrained with enacted 1984 Dislocated Worker and Trade Act appropriations?

Mr. O'KEEFE. Mr. Chairman, our proposal takes advantage of the new initiative which was created under the Job Training Partnership Act, specifically title III of that legislation which created a new Dislocated Workers Program.

We have requested for fiscal year 1985, an amount equivalent to what has been brought forward for the full program year 1984, of $223 million. Under the statute, the Secretary can reserve up to 25 percent of those funds for use at the national level.

If we reserve, which we intend to do, the full 25 percent, that will hold at the national level $55 million.

Out of that $55 million, we will have more than adequate resources to meet what in the past has been at a maximum of a $30 million Trade Adjustment Assistance Program and still have a residual of $25 million to meet other emergency needs not yet foreseen by the Governors as they plan their $167 million dislocated worker programs.

So, in terms of the numbers, my view is that we should not see any dimunition in the numbers trained under dislocated workers, or trade, that is those adversely affected trade workers.

DISPLACED HOMEMAKERS NETWORK CONTRACT

Senator WEICKER. The committee recently became aware of an apparent bureaucratic snafu that has left the national displaced homemakers network without a renewed contract for months, despite an agreement we reached with Secretary Donovan last November.

Was there a misunderstanding or disagreement between your agency which funds this project, and the Women's Bureau which administers it?

Mr. O'KEEFE. We do not directly fund the displaced homemakers network. The money goes to the Women's Bureau, who had to negotiate and implement that contract.

It is my understanding the contract has been signed this week. As far as I know, there was not a misunderstanding about the availability of the funds.

Senator WEICKER. Counsel, you go ahead and ask that.

Mr. SOURWINE. My understanding was it was a contract for 9 months, but not for the new program in fiscal year 1984.

Mr. O'KEEFE. The way we read the appropriation language, and I think an agreement that we have among ourselves, is that this will be a 21-month agreement.

What has happened is, as you know, the money becomes available to us on a program year basis. We cannot obligate funds which are not available to us. The new program year money, the additional 12 months of the 21 months will become available to the Department on July 1.

That is how we funded other programs with which there was concern.

REDUCTION IN PILOT AND DEMONSTRATION PROJECTS

Senator WEICKER. You are requesting a $6.2 million reduction in pilot and demonstration projects under the training and employment services appropriation.

Will your reduced request of $15.1 million be enough to maintain current funding levels for the Human Resources Development Institute, 70,001 limited and the displaced homemakers network?

Mr. O'KEEFE. We have requested for fiscal year 1985, approximately $15 million for those projects. At this point I cannot make a commitment to a specific contractor. We believe the moneys that are there are adequate to meet the objectives that we have set.

As we go forward and the contractors, all of whom you just mentioned, are under an agreement that will operate for 21 months, we will have time between the enactment of the appropriation and the expiration of their contracts to review their performance, what the Government's needs are, what the funding availability is, and in that context negotiate agreements with them.

Senator WEICKER. If the Congress wants to be sure that the projects are funded, should we earmark them directly or is report language going to be sufficient?

Mr. O'KEEFE. Mr. Chairman, when the executive branch reviews an appropriation and we review report language, we take full cognizance of what you give us as an indication of your expectations and intentions for those moneys.

We are also responsible, as I am sure you know, to carry out other laws and regulations which attend procurement practices.

When it comes to specific contractors, we cannot make a commitment up front as to whether or not we are going to fund them, without making sure that we are going to adhere to the laws and regulations that govern the procurement practices.

Senator WEICKER. So in effect what you are saying is if we wanted to do something, we are going to have to go ahead and make it part of the law, and that takes that process out of your hands.

JOB CORPS REQUEST

Your budget assumes Job Corps savings of $34 million will be achieved in fiscal year 1985 by such cost-cutting measures as: contracting out of all centers; increasing class sizes by 10 percent; increasing enrollee caseloads of counselors and supervisors by 10 percent.

Are there any evaluations showing the difference in quality between the Job Corps centers currently operated by contractors and those operated by Federal employees?

Mr. O'KEEFE. As far as I know, Bob Jones who has work responsibility for that program, indicates there is not an evaluation of the quality of services at the civilian conservation centers as distinct from those which are contract-operated.

Senator WEICKER. Senator Proxmire?

ALIEN LABOR CERTIFICATION STAFF REDUCTION

Senator PROXMIRE. Mr. O'Keefe, you plan to reduce employment security staffing by 47 positions over the next year according to your budget justifications.

I was recently told that you proposed, as a part of this cut, to implement a reduction in force in your national alien labor certification staff from 25 down to 15 with commensurate cuts in regional offices and that this will take effect in May.

Is that correct?

Mr. O'KEEFE. The proposed target date for the overall reduction in force is the end of May, yes, Senator.

Senator PROXMIRE. I also understand there is a backlog—my staff just pointed out that I should get a response as to whether or not there will be a reduction in force in your national alien labor certification staff from 25 to 15. Is that correct?

Mr. O'KEEFE. I'm told by staff, no, that is not correct. We can make those numbers available.

Senator PROXMIRE. Can you help me with it?

Mr. O'KEEFE. I don't have it right with me. We can supply it.

Senator PROXMIRE. Will there be a cut?

Mr. O'KEEFE. There will be some reduction, yes, sir.

Senator PROXMIRE. You have no idea what the size will be?

Mr. O'KEEFE. I'm told two or three positions, Senator.

Senator PROXMIRE. At any rate, I understand there is a current backlog of 5,000 to 10,000 employer applications for alien labor certification resulting in processing delays of up to 1 year.

Is that correct?

Mr. O'KEEFE. I know there is a backlog. I don't know what the specific numbers are.

Senator PROXMIRE. Well, it is important as to whether that backlog is large enough to produce delays of up to 1 year. That is a very substantial delay.

Mr. O'KEEFE. Most of that processing, Senator, takes place in our regional offices, and is not going to be directly affected by the decisions that are being made in the national office.

We are, however, taking reductions in the regional staff. Those reductions, however, are targeted primarily to deal with the changed program responsibilities that we have. There is no change in our Alien Labor Certification Program responsibilities.

Senator PROXMIRE. But you are making cuts in your regional office staff?

Mr. O'KEEFE. That's correct, sir.

Senator PROXMIRE. Given your current backlog and your budget justification emphasis on "quality control and reduction of certification backlogs," how can you justify a staff cut of this magnitude? Won't that simply mean that you will have larger backlogs, especially if you maintain the quality of your operation?

Mr. O'KEEFE. If we were to take specific action that would reduce the resources available, then the backlogs would increase, obviously, Senator.

I'm told that right now the longest backlog that we are aware of is in our region 9 out on the west coast, which is approximately 4 months.

If you will give me a second, I wanted to confer on one other thing.

[Witnesses conferring.]

Mr. O'KEEFE. We have taken some actions that over the next couple of weeks we will be able to bring forward, that will hold harmless that activity in that particular region to make sure that that backlog does not get worse there.

NATIVE AMERICAN PROGRAM STAFF

Senator PROXMIRE. Now, Mr. O'Keefe, a press release from the office of Congressman Pat Williams states that in 1981 the Division of Indian and Native American Programs in the Department had 30 employees of which 13—43 percent—were Indian. Today, according to the release, that Division has 25 employees, but only 4—16 percent—are Indian.

Why has there been such a sharp reduction in the number of Indians administering a program to help Indians?

Mr. O'KEEFE. Senator, I think there are—the primary reason, when we looked into that, is that most of those people left. We have been—and I think this is an important point that has to be made clear—the Employment and Training Administration over the past 10 years has, with only one brief exception, been operating under one kind or another of an employment freeze.

As a result of that, over that period of time—and the peak employment back in the early 1970's was somewhere in the neighborhood of 4,000, in excess of 4,000 is my recollection—imbalances have developed within this agency in the types of staff we have and where those staff are located.

One of the reasons why we want at this time to combine the reorganization and the reduction all into one action and to get this behind us, is not only to reduce the amount of morale problems that would attend more than one reduction, but also to put ourselves in a position where we can get back to a normal personnel practice, that when somebody goes out the door, we can hire somebody to fill that desk. We have not been there for 10 years.

Senator PROXMIRE. You say that most of the Indians who were employed by the Division of Indian and Native American Programs left.

Will you document that statement by indicating precisely how many Indians did leave?

Mr. O'KEEFE. Yes, we will, sir.
[The information follows:]

INDIAN STAFFING WITHIN DIVISION OF INDIAN AND NATIVE AMERICAN PROGRAMS

Currently, the Division of Indian and Native American Programs [DINAP] has 22 employees of which 4 are Indians. Nine Indian staff members left DINAP since 1981 for the following reasons listed below:

Reason	*Nos.*
Resigned for a position in the private sector	1
Was RIF'd in December 1981	2
Refused offer to transfer to Washington office when management decided to close outstationed offices and was separated from the Federal service	2
Refused offer to transfer to Washington office when management decided to close outstationed offices and was placed in a position in the San Francisco office of the Employment and Standards Administration	1
Resigned in December 1981 to return to graduate school	1
Resigned in December 1981 to take a position with State government	1
Was displaced by a veteran during the regional office RIF of 1983 and is presently assigned to another ETA office in Seattle	1
Total	9

INDIAN PERSONNEL ON STAFF

Senator PROXMIRE. At any rate, are you conscious of the fact that this is a program for Indians and only 16 percent of the employees who administer the program are Indians?

Mr. O'KEEFE. We are quite conscious of it, Senator. We will do everything we can to keep our number representative. And, once we get into a normal personnel mode, we will be able to take the kind of actions that I think will indicate our concern.

Senator PROXMIRE. I also understand, according to the same release, that if your proposed reduction in force is implemented, the four remaining Indians at the Employment and Training Administration will not survive the RIF.

Is that true?

Mr. O'KEEFE. We have looked at that. We do not think that is the case. We have not plotted finally the ramifications of the reduction in force, but we are very confident right now that that is not accurate.

Senator PROXMIRE. Will you keep us posted on that?

Mr. O'KEEFE. Yes, sir.

BUREAU OF APPRENTICESHIP AND TRAINING

Senator PROXMIRE. You are requesting $11,732,000 for the Bureau of Apprenticeship and Training in fiscal year 1985, a cut of $1,260,000 and 34 full-time equivalent positions from your current program. One of your objectives in fiscal 1985 is to provide support services for the Federal Committee on Apprenticeship. This was also a 1984 objective.

Is it true that not a single meeting of this committee has been held since June 1982, and the new chairperson has yet to be appointed?

Mr. O'KEEFE. Mr. Chairman, I believe that it is true that there has not been a meeting. We recently announced the filling of the Director

of the Bureau of Apprenticeship and Training job. We now have a Director on board. We have a full complement, as I understand it, of members of the committee.

We are moving forward to schedule a meeting and the announcement of the chairman is forthcoming.

Senator PROXMIRE. So it is true there hasn't been a meeting of the committee since June 1982?

Mr. O'KEEFE. That's correct.

Senator PROXMIRE. It's also true the new chairperson has not been appointed, although a Director has been appointed?

Mr. O'KEEFE. I'd rather recategorize the statement about the chairman, that the chairman has not been designated, although I believe the chairman has been appointed.

Senator PROXMIRE. Appointed but not designated?

Mr. O'KEEFE. In other words, the announcement of who is the chair is still to be made.

Senator PROXMIRE. Is it also true that you don't know how many registered apprenticeships exist?

Mr. O'KEEFE. True that we——

Senator PROXMIRE. Do you know how many registered apprenticeships exist?

Mr. O'KEEFE. We know how many federally recognized apprenticeships exist.

Senator PROXMIRE. Dr. Robert Glover, who is director of the Center for the Study of Human Resources at the University of Texas at Austin told the Congress on November 15, 1983: We do not even know how many registered apprenticeships exist because the apprenticeship data system was eliminated in the budget cut of January 1980, and according to current finances will not be restored until the end of fiscal year 1985.

Mr. O'KEEFE. We have a system in place. I think Mr. Glover's statement must be peculiar to the time in which he made that statement.

Senator PROXMIRE. Do you know, then, how many registered apprenticeships exist now?

Can you tell us?

Mr. O'KEEFE. Yes, sir, we will submit it for the record.

[The information follows:]

NUMBER OF REGISTERED APPRENTICES

During the past few years, economic conditions have contributed to a decrease in the number of registered apprentices. The latest estimates indicate that there are now about 253,000 apprentices and as the economy improves it is expected that these numbers will increase.

COORDINATION OF STATE AND FEDERAL APPRENTICESHIP ADMINISTRATION

Senator PROXMIRE. In 1980 the Lyndon Johnson School of Public Affairs completed a study with Department of Labor support that included a volume on the coordination of State and Federal apprenticeship administration.

What steps did the Department take to implement the study's recommendations?

Mr. O'KEEFE. Senator, I am unfamiliar with the study.

Let me see if I can find somebody who does know anything about it.

Mr. JONES. We will have to provide it for the record.

Mr. O'KEEFE. We will have to provide that for the record, Senator. That is not something that I am familiar with.

[The information follows:]

STATE AND FEDERAL APPRENTICESHIP ADMINISTRATION STUDY

The subject study was conducted during the period of September 1978 to May 1979. The general recommendation of this study was to strengthen the effectiveness of the role of the States in the apprenticeship field and to improve the Bureau of Apprenticeship and Training [BAT]—State Apprenticeship Council [SAC] coordination in States having State apprenticeship councils.

The Department reviewed the study and concurred with the general recommendation. The Bureau of Apprenticeship and Training has taken a number of specific actions to strengthen the role of the individual States in apprenticeship and to improve coordination with SAC's and has other actions under consideration. A directive has been issued to all BAT technical staff to emphasize and clearly indicate that a major objective of their efforts is to encourage, support, and promote the establishment of a State apprenticeship agency and SAC in every State. The Bureau has established a joint liaison committee with the National Association of State and Territorial Apprenticeship Directors whose purpose is to meet periodically to discuss and take actions addressed specifically at the subject of improved coordination of State and Federal apprenticeship roles and responsibilities. One of the recommendations of the study, which the Department does not support, called for Federal funding of SAC's. This would be contrary to the intent of the Fitzgerald Act under which SAC's have operated successfully on a voluntary basis for over 40 years. The individual States have the option of taking full responsibility for developing, registering, and servicing all apprenticeship programs in the States and 28 States currently exercise that option without Federal funding. It would be inappropriate to now provide Federal funds for such purposes.

APPRENTICESHIP SYSTEM EVALUATION

Senator PROXMIRE. I understand last year you commissioned an $800,000 evaluation of the apprenticeship system and that the major emphasis of this study is the Federal/State administrative structure. Is that the case?

Mr. O'KEEFE. That is one of the points of focus of that study, yes, sir.

Senator PROXMIRE. Did you consult with the Federal Committee on Apprenticeship before going forward with that proposal?

Mr. O'KEEFE. It was not possible, Senator. We did not have a meeting during that period of time. Their appointment was being made, it is my recollection, at the time that that evaluation was being put together. We didn't have a full committee.

Senator PROXMIRE. You didn't have a full committee available to consult with?

Mr. O'KEEFE. That's correct, sir.

Senator PROXMIRE. On page II–S–1(b) of the statement of purpose accompanying this study it is stated and I quote, "the latest reliable data indicate that at the end of 1979 there were 324,000 registered apprentices."

How can you hope to get useful results from this new study if available data is 5 years out of date?

Mr. O'KEEFE. I believe we have more up-to-date data than that statement would indicate. I would assume when they were writing the statement of work they were looking for what was available to them at that time.

As I remarked before, there was perhaps a period where we didn't have this kind of data, but we do now. It will be the data we are submitting for the record.

Senator PROXMIRE. You do have the data now.

Mr. O'KEEFE. That's what we promised before to submit for the record, yes, sir.

Senator PROXMIRE. When will the study be completed, and what do you plan to do with the results?

Mr. O'KEEFE. The study is scheduled to be completed in October, sir.

Senator PROXMIRE. October of this year?

Mr. O'KEEFE. Yes, sir.

Senator PROXMIRE. What will you do with the results?

Mr. O'KEEFE. Well, Senator, the first thing we will do is read the report and see what the results are. [Laughter.]

It is not always done.

Only then will we be able to respond to what we will do with the results, and whatever recommendations result from that.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator WEICKER. Thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Thank you, Mr. O'Keefe. There will be further questions submitted for response for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

STAFFING LEVELS

Question: During the ETA appropriations testimony before the House last year, Mr. Angrisani testified that "a thorough management study" was made of ETA. This was to determine how many staff were needed "for the next ten years". He stated that the number arrived at was 2,000 individuals. Please provide a copy of this study.

Answer: The thorough management study referenced by Mr. Angrisani before the House last year was conducted by several internal ETA work groups. The purpose of the reviews was to assess the impact of the Job Training Partnership Act and the new Wagner-Peyser Amendments on workloads and associated staffing needs. The work groups' informal recommendations were made prior to the development of the governing Federal regulations.

After the regulations were completed and put in place, it was clear the Federal role envisioned by the work groups was diminished and further reductions in staffing levels would be appropriate to align staffing with expected workloads. It was also clear that a restructuring of ETA to reflect the reduced Federal role and to achieve management economies and efficiencies was required. It is now estimated that staffing requirements for ETA as a whole will decrease to 1,756 by the end of FY 1985.

MANAGEMENT SYSTEMS REDUCTIONS

Question: On page PA-30 of your budget justification, you indicate that "revised workload in management information data collection has eliminated the need for seven positions"; yet your proposed cut is thirteen positions. What happened to the other six positions?

Answer: The estimated reduction in Financial Control and Management Systems is 13 positions. The rationale on page PA-30 of the budget justification relates to the elimination of seven positions. What was missed in typing is the rationale relating to the six other positions which total the thirteen position reduction. These reductions are due to: improved contracting efficiencies, and in the Office of Program and Fiscal Integrity, a reduced number of contracts to close out and an improved debt collection, contract closeout system. The sub-breaks by category are:

National office personnel classifications	2
Consolidation of management assistance services	3
Revised workload in management information data collection	2
Improved contracting efficiencies	2
Office of Program and Fiscal Integrity	4
Total	13

UNEMPLOYMENT INSURANCE ADMINISTRATIVE COSTS

Question: We understand you fund unemployment insurance contingency dollars in a way where the States get the lesser of what they earn or use. Why is it that, if a State gets a large influx of claims and can't hire enough staff fast enough to use up what they are earning by this workload, you take back what dollars they "earned" but couldn't use?

Answer: The purpose of providing contingency resources to States is to assure that they can pay the staff necessary to process surges in workload. That is the reason the contingency amounts to cover workload are requested and appropriated. States do receive the amounts necessary to finance the staff they in fact use to process the extra workload. No clear program purpose would be served by automatically providing an after-the-fact windfall payment to a State which "earned" more staff than it actually used to process the workload. In fact, the program could be damaged if "earned but not used" amounts were not saved for possible use to meet contingencies occurring later in the year.

A primary reason for not automatically giving each State the "earned" amount is that the time factors used to calculate the amount of staff "earned" are derived from studies normally done during non-peak workload periods. We know from experience that when workload surges occur, States are often able to process the work using less staff overall than the time factors would indicate.

The contingency amount a State "earns" but does not use in a given quarter is not necessarily lost to that State. For example, if a workload backlog exists because a State could not hire staff fast enough to complete the tasks associated with the workload items when credit is earned, the present contingency funding guidelines allow States to use staffyear savings generated in any quarter to offset an anticipated overusage, in the same fiscal year, resulting from processing the workload backlog.

In addition, the present contingency funding guidelines allow States to cover overusage during the first two quarters of the fiscal year with savings (earnings greater than usage) generated during the six-month period. This might be termed "netting." This netting provision was put in place for the first half of the fiscal year because the second quarter is typically the high workload quarter and the mechanism gives States the latitude to hire and train staff in advance of the workloads.

Also, benefit payment control (BPC) staffyears are allocated to the States for the purpose of detecting, preventing, and recovering improper payments. Underutilization of BPC staffyears in one quarter can be used to offset overstaffing in this area in another quarter, thereby making BPC staffyear earnings available for use in the entire fiscal year. This enables a State to be funded for additional staff used to correct errors after a big claims rush.

Question: Why shouldn't a State be allowed to keep all they earned and use the money to clean-up errors after a big claims rush, or use the money to enhance their processes through better interviews against fraud?

Answer: The contingency funding process provides additional resources to States on the basis of the lower of the earned or used staffyears. However, if a workload backlog exists because a State could not hire staff fast enough to complete the tasks associated with the workload items when credit is earned, the present contingency funding guidelines allow States to use staffyear saving generated in any quarter to offset an anticipated overusage, in the same fiscal year, resulting from processing the workload backlog.

In addition, the present contingency funding guidelines allow States to cover overusage during the first two quarters of the fiscal year with savings (earnings greater than usage) generated during the six month period. This might be termed "netting." This netting provision was put in place for the first half of the fiscal year because the second quarter is typically the high workload quarter and the mechanism gives States the latitude to hire and train staff in advance of the workloads.

Also, benefit payment control (BPC) staffyears are allocated to the States for the purpose of detecting, preventing and recovering improper payments. Underutilization of BPC staffyears in one quarter can be used to offset overstaffing in this area in another quarter, thereby making BPC staffyear earnings available for use in the entire fiscal year. This enables a State to be funded for additional staff used to correct errors after a big claims rush.

Question: How can the appropriations language be changed to allow States to keep what they earn in the unemployment insurance contingency process?

Answer: The appropriation language would have to read as follows:

> "...shall be available only to the extent necessary to administer unemployment compensation laws to meet increased costs of administration resulting from changes in a State law or additional staff earned for processing increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the State's basic allocation was based..."

However, we believe this change would serve no useful program purpose and could dissipate contingency amounts which may well be needed later in the year.

Question: In your opinion, would such a bill language adjustment constitute legislation on an appropriations bill?

Answer: The Employment and Training Administration is of the opinion that the bill language adjustment does not constitute legislation on an appropriation bill. However, due to the flexibility built into the present contingency funding guidelines we do not believe that this language adjustment is necessary or desirable.

FARMWORKER HOUSING

Question: It is our understanding the preliminary notice of refunding has gone out to farmworker housing organizations previously funded by the Department of Labor. Can you tell me when this process will be complete and these organizations will begin operations?

Answer: Planning instructions to the housing grantees were issued on March 1, 1984. All applications received have been reviewed and a number of awards have been made to date. We expect that the funding process for the remaining applications will be completed by mid-April. These grants will be for a 12-month period (April 1, 1984, to March 31, 1985).

Question: It is also our understanding that funding for this program will be reduced by one-third. Will these cuts be implemented in an across the board fashion or will the Department exercise some discretion to ensure that small grants are not reduced to the point that a program cannot be carried out?

Answer: The total amount of monies available for the housing effort from our discretionary funds is $2.2 million or approximately 30 percent less than the prior year availability. Each grantee will, therefore, receive 70 percent of the amount received in Fiscal Year (FY) 1983.

ROLE OF PRIVATE SECTOR IN JTPA

Question: What changes have occurred in job training programs as a result of the major new role played by private business and industry, under the new Job Training Partnership Act (JTPA)?

Answer: Private employers, particularly small businesses, will be major training providers. Eighty percent or 458 of the service delivery areas (SDAs) will use small businesses as training providers. Fifty-five percent or 319 SDAs plan to use larger businesses (firms with 500 or more employees).

Private Industry Councils (PICs) serve as the primary vehicle for private sector participation. Business and industry representatives comprise a majority of the membership of each PIC. As a result, approximately 11,000 business volunteers are involved in the administration, planning, and operation of publicly funded employment and training programs.

Private sector participation is expected to result in higher job placement rates. This expectation is based on a study by the National Commission for Employment Policy comparing the results of CETA Title VII programs with its strong private sector participation to CETA Title II programs, where the PIC did not have equivalent authority. After allowing for differences in participant characteristics, private sector participation raised the placement rate 4.1 percent. Where the PIC operated as an independent entity, the placement rate increased by 9 percent.

Substantial business involvement reflects greater emphasis on on-the-job training in at least 232 SDAs (39 percent).

Due to its increased role in JTPA, the private sector is also more heavily involved in Summer Youth Employment and Training Program (SYETP) activity.

FEDERAL GOVERNMENT ROLE IN TRANSITION TO JTPA

Question: What role did the Federal Government play in the transition from the former job training system to the new Job Training Partnership Act?

Answer: The Federal Government played an active role in: regulation development and promulgation; information dissemination and provision of technical assistance and training; tracking of implementation progress; and establishment of procedures assuring funds on hand for program start-up. Specifically, the Department of Labor (DOL) has done the following:

Regulation Development and Promulgation

DOL developed and published for comment, regulations for:

JTPA Titles I and II

Title III

Title IV (National Programs)

Title V (Wagner-Peyser)

After consideration of comments and appropriate revision, final regulations were published.

Information Dissemination and Provision of Planning, and Technical Assistance

- The Employment and Training Administration (ETA) established a question and answer series to respond to State concerns as JTPA was implemented.
- Planning Grants were issued to Governors in September 1982.
- Private Industry Council (PIC) planning grants were provided to all certified PICs.
- State technical assistance and training (TAT) needs were surveyed, and TAT developed was in response to needs identified.
- A summary of TAT available through ETA, PICs and States was disseminated to all States.
- TAT Grants were executed with most States, to meet the most pressing JTPA implementation concerns.

Tracking

- o ETA tracked State progress in implementing JTPA on a regular basis from development of required State systems to mandated activity at the PIC-Local Elected Official level. Where tracking identified significant lags in progress, high level contacts were made to discuss this.

Fund Flow

- o DOL ensured that there would be cash on hand for JTPA start-up on October 1, 1983 by permitting transfer of 30 days worth of funds from CETA to JTPA.

SMALL BUSINESS INVOLVEMENT IN JTPA

Question: What progress has been made in getting small businesses more involved in Job Training Partnership Act programs?

Answer: Small businesses provide training in 78.6 percent of the service delivery areas (SDAs), according to a survey conducted by the National Alliance of Business. In addition, many of the 11,000 business volunteers serving on local Private Industry Councils (PICs) are representatives from small businesses. Because 75 percent of the PICs intend to actively participate in determining types of training, in selecting service providers, and in evaluating programs, it is a natural assumption that small businesses will become heavily involved in JTPA programs.

Greater emphasis is being placed on on-the-job training (OJT) under JTPA. Since small businesses have consistently been the main providers of OJT, their increased involvement is assured.

JTPA PLACEMENT IN SMALL BUSINESSES

Question: What percentage of Job Training Partnership Act enrollees find jobs in small businesses?

Answer: This information is not currently available. However, placement data will be available later in the year on a sample basis.

COORDINATION WITH LOCAL ECONOMIC DEVELOPMENT EFFORTS

Question: To what extent does the Labor Department get involved in efforts to stimulate creation of small businesses in impoverished neighborhoods?

Answer: JTPA requires that the Governor develop and submit a Governor's Coordination and Special Services Plan (GCSSP) for coordinating activities under the Act with programs and services provided by State and local agencies, including economic development agencies,

having a direct interest in employment and training and human resource utilization within the State. Many of the GCSSPs indicate the States intend to coordinate economic development activities with JTPA activities.

Nationally, 5.6 percent of PIC memberships are economic development agency representatives.

The discretionary Title III dislocated worker program permits a State to request funding for projects which will serve residents of enterprise zones. Such projects may include efforts to stimulate creation of small businesses.

Since it is the Department's belief and policy that the State and SDAs know best what programs or other efforts, including small business creation, would best meet their needs, the Department is not directly involved but ensures that the State meets the JTPA requirements for including economic development agencies in their coordination plans and encourages local and State public agencies to work with the private sector to create or maintain small businesses that will in turn create jobs for area residents.

EMPLOYMENT SERVICE FOR THE HANDICAPPED

Question: How much do you plan to spend in the 1985 program year for demonstration projects related to employment of the handicapped?

Answer: In preliminary plans for the 1985 program year, ETA has designated $4,080,000 for projects related to employment of the handicapped. This amount maintains funding for this category at the 1984 program year level.

Question: How much is now being allocated to special national employment and training handicapped projects for program year 1984?

Answer: The funding level for special national employment and training handicapped projects for program year 1984 is $4,080,000.

Question: Provide for the record a list of currently funded handicapped special national employment and training projects.

Answer: FY 1984 Handicapped Projects

1. National Association of Retarded Citizens
2. National Federation of the Blind
3. Epilepsy Foundation
4. Electronic Industries Foundation
5. Mainstream
6. National Associated of Rehabilitation Facilities

7. Goodwill Industries

8. Chavez Associates

9. Manpower Demonstration Research Corporation - Structured Training and Employment Transitional Services.

COORDINATION OF TITLE V WITH JTPA

Question: The Job Training Partnership Act requires each Governor to reserve 3 percent of the State's allotment for training for older persons. Title V of the Older Americans Act requires the Secretary of Labor to conduct experimental projects designed to assure second career training and placement of older persons in the private sector. What action has the Department taken to assure that the Older Worker Experimental Project Program is being coordinated with the Job Training Partnership Act training program for older workers?

Answer: All the experimental project sponsors have been encouraged to coordinate with PICs and JTPA sponsors. Instructions for the upcoming round of projects require that the Project application include a description of linkages with the Job Training Partnership Act (JTPA) activities.

Question: What type of coordination is taking place at the State level?

Answer: The National Governors' Association conducted a survey prior to the implemention of JTPA to obtain some basic administrative and programmatic information on JTPA programs. In regard to the issue of program coordination, 25 of the 44 States responding indicated that the 3 percent Older Worker Programs would be administered in conjunction with the Title V Older Americans programs. Some States have involved State Agencies on Aging through participation on task forces and advisory groups. In addition, some States have assigned the 3 percent program's operational responsibilities directly to the State Office on Aging.

TRANSITION OF OLDER WORKERS TO UNSUBSIDIZED EMPLOYMENT

Question: The 1982 amendments to the Older Americans Act emphasized the need for greater movement of participants from subsidized to unsubsidized employment. Labor Department regulations set as a goal for project sponsors the placement of at least 15 percent of the number of authorized slots into unsubsidized employment. What actions has the Department taken to encourage sponsors to move older workers from subsidized to unsubsidized employment?

Answer: Periodically, and particularly during the annual grant renewal and quarterly performance review processes, sponsors are reminded of the priority emphasis the program places on achieving the

objective of transitioning program participants into unsubsidized employment. As a part of the grant renewal process, sponsors are required to develop and submit an acceptable, detailed plan for achieving this employment objective. The implementation of these plans in monitored.

Continuing technical assistance is also provided to sponsors on the development and implementation of specific activities, methods, techniques, policies and strategies for improving their performance in effecting placements into unsubsidized employment. This technical assistance has been provided during onsite visits to the project sponsors, at Department-sponsored national and regional conferences as well as at training conferences and workshops that have been held by sponsors, and through letters and other forms of correspondence that are sent to sponsors.

Since 1981 the national unsubsidized placement rate has increased from 11.2 percent to 19.5 percent.

IMPROVING RATE OF TRANSITION

Question: What methods do you recommend to improve the rate of transition for both State and national sponsors?

Answer: The most recent information on unsubsidized placements indicates that the program substantially exceeded the national unsubsidized placement goal. We will continue to encourage sponsors to emphasize unsubsidized placements through: increased enrollee training, job clubs, job fairs, and better coordination with other governmental organizations involved in training and placement activities.

ACCURACY OF TRANSITION DATA

Question: Are you confident that the data on the rate of transition provided by the national and State sponsors accurately reflect the degree of transition being accomplished?

Answer: Yes, based upon the results of on-site monitoring reviews and audits by program officials, we have confidence in the accuracy of the data being reported and certified by sponsors concerning their unsubsidized placements.

TRANSITION OF OLDER WORKERS TO UNSUBSIDIZED EMPLOYMENT

Question: What specific instructions does the Department provide to guide sponsors in determining transition rates?

Answer: The Regulations for the Senior Community Service Employment Program (SCSEP) prescribe the unsubsidized placement goal and the method to determine the number of placements which a sponsor must make to achieve the goal. In the guidelines and instructions for preparing and submitting applications to renew their grants, sponsors are given specific instructions on how to calculate the number of

unsubsidized placements needed to achieve the prescribed 15 percent placement rate. The Department determines the correctness of the calculation and, as appropriate, notifies a sponsor if the calculation is incorrect.

As far as determining what is a countable and reportable unsubsidized placement, instructional guidance has been provided to all sponsors through the issuance of several bulletins on this subject and in the form of letters of interpretation and clarification that have responded to specific inquiries from individual sponsors.

On the basis of the unsubsidized placements that are reported each quarter by each sponsor, a cumulative rate of transition for each sponsor is computed by the Department.

ERRORS IN UNEMPLOYMENT BENEFIT PAYMENTS

Question: A study was prepared for the Unemployment Insurance Service in December 1982 at Arizona State University entitled, "The Development of An Operational System for Detecting UI Payment Errors Through Random Audits: The Results of Five Statewide Pilot Tests." It concluded among other things that:

(1) Overpayments were 14.2 percent of total UI benefits paid in the 5 States.

(2) Inadequate job search was the most important reason by far for the overpayments.

(3) Attempts to verify job search contacts listed by claimants proved very difficult and "Resource-Intensive."

(4) Underpayments were less than 1 percent in all 5 States.

Are the results of this study valid and reliable?

Answer: Yes, the results are valid at the 80 percent confidence level, Statewide. In expanding the five pilot States to the ten expansion States, the overpayments rate identified for the basic UI program (1.9 percent - 15 percent) has been slightly lower but not significantly lower than the initial fundings (6.4 percent - 16.7 percent). Job search continued as the single most prevalent problem area; attempts to verify job search is resource intensive but critical to the process. Random Audit is not designed to measure the total of underpayment in the UI program. The underpayment data only reflects cases paid and not those where claimants may have been erroneously found ineligible for benefits. In summary, the Random Audit program has been found to be generally valid and reliable within its design limitations.

Question: Are the results representative of the entire Unemployment Insurance System?

Answer: It is impossible to apply the results to the entire system due to the fact that the Random Audit program does not apply to benefits beyond the basic UI program in each State. Given the fact that each State has differing legislation and practice, findings in one State cannot be extended to another State.

Question: What has the Unemployment Insurance Service done to reduce overpayments?

Answer: The Unemployment Insurance Service has moved from implementation of the Random Audit program to corrective actions and is in the process of regionalizing Random Audit so that the Regional Offices--which are responsible for monitoring State operations--assist and review State efforts to--integrate the findings into State operations, policy, and legislative actions. Individual State Employment Security Agencies have taken actions themselves to correct problems uncovered through Random Audit. Furthermore, a more comprehensive system will be implemented in FY 1985 - quality control.

Question: What is a tolerable level of overpayments?

Answer: In a system as complex and large as the unemployment compensation system, some overpayments will occur. Although no level can be specified as the threshold of tolerance, it is reasonable that efforts to control overpayments should be assessed on these relative benefits and costs (i.e., the amount of overpayment reduction relative to the cost of achieving the reduction). The quality control initiative will provide the data needed to estimate reliably the level of overpayment, to assess the cause of these overpayments and to design corrective actions to reduce or eliminate them.

REPAYMENT OF UNEMPLOYMENT LOANS

Question: As the economic recovery proceeds, States have begun repaying their Federal loans and accumulating reserves. What level of reserves should the States accumulate before the next recession?

Answer: Each State is responsible for determining its own financing system within certain broad Federal requirements. The differences in systems State to State as well as the many variables that impact on fund adequacy have been largely responsible for the lack of a single measure or standard. Attempts have been made to develop a quantifiable measure that reflects the strength of a State's UI funding. These have generally centered on the adequacy of the State's funds by setting a measure for fund sizes which would be sufficient for the fund to pay its potential liabilities. Such measures have evolved over the years from dollar amounts, to measures of reserves relative to wages, to reserves relative to prior benefit levels in current dollar terms. However, no one measure enjoys a consensus of use nor acceptance.

Question: At what rate should the State accumulate these reserves?

Answer: Because of the wide differences in State law it is difficult to say how responsive a system should be. Another problem is determining the point in the economic cycle since fund adequacy measures tend to specify the level a fund should be in at the start of a recession and not how fast a fund should grow following a recession. One of the principal reasons for the current insolvency has been the back to back recessions experienced in recent years. However, we do see the positive action taken by States going a long

way toward solving the problem. The FY 1985 President's budget reflects that income this year and each year through 1989 will exceed outlays thus reducing the debt and stabilizing the system.

Question: What assistance has the Unemployment Insurance Service given the States in answering these questions?

Answer: The Unemployment Insurance Service (UIS) provides technical assistance in helping the States that are in debt achieve solvency and all States toward providing adequate funding through direct assistance, training and use of computer simulation models.

UIS actuaries have met with State Administrators, legislators and technical staff in responding to requests for assistance. Each year we work with many States in changing and improving their financial system.

UIS put on a week long national benefit financing seminar for State technicians in October and have given Regional Training Sessions. UIS have developed a benefit financing computer model that has been adapted to individual State use in 17 States and is being brought up in other States.

UIS have also put on seminars to explain the application of the cap of FUTA offset provisions and interest relief on Title XII loans as provided by the Congress.

TARGETED JOBS TAX CREDIT PROGRAM

Question: What were the actual costs of the Targeted Jobs Tax Credit Program in terms of lost revenues compared to the cost projected by the Treasury Department?

Answer: No studies have been made on actual costs versus estimates by the Treasury Department. Estimates are gross Treasury losses and do not take into account such savings as Unemployment Insurance, Social Security Income, General Assistance and AFDC placements. Nor has there been any study conducted to show revenue increases based on TJTC employment.

Question: How have the changes made in the program by the Economic Recovery and Tax Act of 1981 and the Fiscal Responsibility and Tax Act of 1982 affected costs?

Answer: The Economic Recovery and Tax Act disallowed retroactive certification of program participants and changed cooperative education student eligibility for TJTC to only economically disadvantaged students. The impact of these changes was to temporarily create a decline in participant levels but it did not impact on unit costs.

The Fiscal Responsibility and Tax Act of 1982 mandated that we sample certifications to ensure program integrity and quality control.

As a result of this action, 16.5 percent of allotted funds are now designated for this purpose. The Act also added Summer Youth as a new category for eligible target groups.

CERTIFICATIONS UNDER THE TARGETED JOBS TAX CREDIT PROGRAM

Question: Before the Economic Recovery and Tax Act of 1981 (ERTA) required that cooperative education students be from economically disvantaged families, it was the largest group served by the program. How has the change affected the composition and number of certifications under the TJTC program?

Answer: The ERTA requirement that cooperative education students be economically disadvantaged has reduced the number of students determined to be eligible for the Cooperative Education Program. In 1983, these determinations declined nearly 83 percent from 1982. However, while there has been a decline in this group, the program has certified 113 percent more persons in 1983 over 1982. This increase in certification workload has been largely attributed to an expanded awareness of the program by employers as well as job seekers. Administrative improvements and processing efficiencies have permitted States to absorb their workload. The composition and numbers of certifications were:

	1982	1983	Change
Youth(18-24)	132.2	259.3	96%
Summer Youth	.0	33.5	100%
Veterans	13.3	24.1	82%
Ex-Offenders	13.3	21.9	64%
Handicapped	14.8	25.4	72%
CETA	1.3	.4	-31%
General Assistance	8.1	14.5	78%
Social Security Income	.8	1.3	60%
Aid For Dependent Children	18.5	50.7	174%

The Employment and Training Administration have not conducted any study to learn just what impact ERTA might have had on the composition of certifications.

Question: The ERTA also eliminated retroactive certifications. How has this change affected the composition and number of certifications?

Answer: The initial result of this provision was a major reduction in certifications issued. In 1981, there were 411,581 certifications issued while the number issued in 1982 declined to 202,300. However, in 1983, there were 431,100 certifications, indicating that employer participation is larger than ever without retroactive certifications.

Question: Two new target groups -- laid off public service employees and recipients of Aid to Families with Dependent Children/ participants in the Work Incentive Program - were added by ERTA. How

has this change affected the composition and number of certifications under the program?

Answer: The "composition" and number have been affected significantly by the addition of the AFDC category while the laid off public employee group has had little affect. AFDC contributed 18,503 certifications in 1982 and 50,736 in 1983, while comparable figures for public service employees were 1,285 and 383.

SUMMER YOUTH JOBS

Question: The summer jobs program for disadvantaged youth is currently funded $100 million below the previous year's effort. In view of the persistent high level of youth unemployment, do you feel the current funding level of $724 million is adequate for this summer's youth jobs program? How many jobs will be provided this summer, compared to last year's effort?

Answer: The extra $100 million was added to the 1983 summer jobs program in the Jobs Bill which was a series of one-time efforts to stimulate employment when the unemployment rate was 10.2%. The rate is now 7.7%. We anticipate that the lower unemployment rate together with greater private sector involvement and interest in employment and training as well as enactment of proposed legislation establishing a youth differential minimum wage for summer employment beginning this summer, will result in more unsubsidized jobs for youth during the summer months. The Targeted Jobs Tax Credit (TJTC) program will also be emphasized as a means of assisting disadvantaged youth in finding summer work with private sector employers.

During the summer of 1983, 813,200 participants were served in the summer program. During the summers of 1984-1986, the Department projects serving 718,000 participants through the federally funded summer youth program.

Question: How many youth are eligible for this program?

Answer: An estimated 5.4 million youth, aged 14 through 21, are economically disadvantaged and thus would be eligible to participate in programs under JTPA. Many of these are employed full- or part-time, attending school, incarcerated, served by other programs or otherwise not available to participate. We do not have information on the number of youth in each of these categories, however.

Question: How successful has the Targeted Jobs Tax Credit program been in expanding employment of youth during the summer months?

Answer: The Targeted Jobs Tax Credit Program has been very successful in expanding the employment of youth during the summer months. From FY 1982 to 1983 the number of youths vouchered and certified almost doubled. Vouchers increased from 299,688 to 581,795; certifications increased from 132,195 to 259,309. The new Summer Youth category added 33,538 certifications to this increase.

JOB TRAINING ENROLLEE CHARACTERISTICS

Question: Has the new limitation on stipends and supportive services resulted in a change in the populations being served?

Answer: This information is not available at this time. Characteristics data on all JTPA participants will be available on an annual basis through the basic JTPA reporting system. First reports are due in the Department August 15, 1984, covering the 9-month transition period October 1, 1983 - June 30, 1984. Thereafter reports will be provided by 45 days after the end of each program year (July 1 through June 30).

Such information will also be provided on a sample basis through the Job Training Longitudinal Survey (JTLS). First quarter data (October - December 1983) reflecting a partial sample of larger service delivery areas will be avilable by mid-April of this year. In future periods this information will be nationally representative. This information will be compiled during the month following the quarter and a report will be available approximately 3 months after the end of the quarter.

Question: Has there been an increase in the percentage of enrollees who are receiving unemployment benefits or welfare?

Answer: As previously indicated, characteristics on a sample basis through the Job Training Longitudinal Survey will be available in the latter part of April. Similar data for all participants will be available in August. Thus, the Department is unable to assess at this time the participation of these population groups.

Question: How are participants who don't receive unemployment benefits or welfare supporting themselves while in training?

Answer: Participants who are enrolled in training programs under JTPA and who are not receiving either unemployment compensation or welfare payments support themselves through a number of different means. Those participating in an on-the-job training component receive wages from their employers for their work. Among those who are taking classroom training, many have part-time employment or full-time employment on a flexible enough schedule to allow them to participate in training. In some cases project operators have actually secured this employment for participants to enable them to participate. Other participants receive Pell grants or veterans benefits which help to defray their costs. Still other participants use savings, loans or support from members of their families.

SUPPORTIVE SERVICES IN JTPA

Question: Have other government programs, such as the Social Services Block Grant, picked up some of the costs of supportive services for participants, such as child care?

Answer: Service delivery areas (SDAs) are using an assortment of locally available resources to provide supportive services, such as child care, for participants. In many instances the SDA has been able to access existing community services, at no cost to the grant, which are provided through State, local or other federal sources. Some project operators have staff whose function is to compile community service resource information and make it available to participants.

COST OF SUPPORTIVE SERVICES IN JTPA

Question: Has private industry picked up any of these costs?

Answer: As you know, private industry accounts for a majority of the membership of each Private Industry Council (PIC). Thus, where local arrangements for alternative provision of services have been established, the PIC has likely facilitated these arrangements. Where part-time or flexible full-time employment has been scheduled coincident with training, private employers have provided the salaries and serve as worksites. We are not aware of any instances where private industry has directly stepped in to pick up the costs of supportive services provided to JTPA participants. Such services may be provided in those instances where they are available to all workers.

FARMWORKER HOJSING

Question: Provide for the record a list of farmworker housing projects, with spending levels in each of Fiscal Year 1983 and 1984, as well as budgeted amounts for Fiscal Year 1984. Also, indicate amounts set aside for research, evaluation, and technical assistance.

Answer: A list of housing organizations and dollar amounts is attached. No funds have been set aside specifically for research, evaluation, and technical assistance for farmworker housing projects; however, funds have been earmarked for technical assistance for Section 402 farmworker programs. In addition the Department will monitor the housing grants and will in the process provide technical assistance as well as review performance against goals.

Grantee	Fiscal Year 1983	1984 Planning Estimates
1. Colorado Rural Housing Dev.	$ 100,625	$ 66,510
2. Florida Non-Profit	139,750	92,371
3. NCALL Research	147,112	97,237
4. Self-Help Enterprises	236,500	156,319
5. RCAC	206,405	136,427
6. Santa Cruz	44,752	29,580

Grantee	Fiscal Year 1983	1984 Planning Estimates
7. CHISPA	62,449	41,277
8. Wil-Low Nonprofit	123,732	81,783
9. SMHA	78,475	51,870
10. Rural New York	373,025	246,558
11. Marion County	36,335	24,016
12. Homes/Casas	69,875	46,185
13. Tierra del Sol	191,200	126,377
14. La Raza - Wisconsin	32,250	21,316
15. ORHD - Washington State	191,861	126,814
16. San Patricio	32,250	21,316
17. Colonias del Valle	85,000	56,182
18. Delta Housing	161,731	106,899
19. PPEP - Arizona	128,076	85,654
20. RHI	46,478	30,721
21. OMICA	81,487	53,860
22. Idaho Migrant Council	129,866	85,838
23. United Front	117,243	77,494
24. Center for Rural Development	27,100	18,324
25. MSFA, Inc.	349,956	231,310
26. Lee County	59,041	39,024
27. H.I.P.	75,250	49,738
	$3,327,824	$2,200,000

COST OF A REDUCTION-IN-FORCE

Question: How much will it cost you to carry out your planned reduction-in-force in the Employment and Training Administration? Provide a break-out of items such as severance pay, unemployment benefits, and retirement costs.

Answer: A comparison of the estimated cost of RIFfing a person on May 25, 1984, and keeping the person on board all year on ETA rolls is as follows:

	May 25 RIF	On Board All Year	Difference
Salary	22,215	34,142	+$11,927
Benefits	2,487	3,823	+1,336
Lump Sums	3,976	—	-3,976
Severance	9,475	—	-9,475
UC	1,277	—	-1,277
NPS	11,127	12,933	+1,806
Total	50,557	50,898	+$341

REDUCTION IN JOB TRAINING FUNDING LEVELS

Question: Appropriations in FY 84 for the Job Training Block Grant under the Job Training Partnership Act were $295 million less than FY 83 spending for comparable programs under the Comprehensive Employment and Training Act. However, this reduction in spending was not expected to result in a drop in participation levels, because of legislative changes directing at least 70 percent of funds to be used for non-training expenses such as administration, supportive serices and stipends. Based on local program plans and other data you have available, how does the enrollment level under JTPA compare with the previous year's enrollment level under the major training programs of CETA (Title II-B/C, Title IV-A, and Title VII)

Answer: Preliminary data for the combined Titles II-B/C, IV-A and VII for Fiscal Year 1983 indicate enrollment averaged about 307,000 during 1983. During the 9-month transition period, JTPA Title II-A, the comparable Title, is expected to build a current enrollment level of 363,700 by June 30, 1984, the supportable average enrollment level for Program Year 1984 beginning on July 1. December 31, 1983 reports show current enrollment at 154,565 or 43 percent of the June 30 goal of 363,700.

COMPARISON OF JTPA UNIT COSTS WITH CETA

Question: What is the average unit-cost for training under JTPA and how does it compare to unit-costs for training under CETA? Can you break these costs down by type of training; i.e., classroom training, work experience, on-the-job training?

Answer: In FY 1982, the service year unit cost under CETA (Titles II-B/C, IV-A and VII) was approximately $6,296. During program year 1984 of JTPA the expected average unit cost in Title II-A is $5,186. This projection is not available by training categories such as classroom training, work experience and on-the-job training.

JOB TRAINING NATIONAL ACTIVITIES

Question: The Secretary of Labor is authorized by the Job Training Partnership Act to administer a series of national programs for specific target population groups, and to conduct research and

demonstration, evaluation, labor market information, training and technical assistance. Comparable activities were authorized under the Comprehensive Employment and Training Act. Have certain national grantees, such as the Human Resources Development Network, been restored to their Fiscal Year '83 funding levels, as directed by the committee?

Answer: Certain national grantees such as Human Resources Development Institute, 70001 Ltd., and the Displaced Homemakers' Network were funded at or near their Fiscal Year 1983 funding levels. The FY 1984 funding plan for Pilots and Demonstrations had to be restructured to reflect FY 1984 Appropriations report directives regarding these projects. As a result, the level of most projects to be funded was adjusted to accommodate the increased number of projects. After negotiations with HRDI and 70001, an agreement was reached in which both agreed to funding at 80 percent of their Fiscal Year 1983 level. The Displaced Homemakers' Network has been funded at the FY 1983 level by the Women's Bureau of the Department.

Question: Did these programs suffer an interruption of services or have to lay off staff as a result of the Department's initial decision to terminate their funding?

Answer: So far as the Department is aware, these projects did not suffer an interruption of services or have to lay off staff as a result of the Department's initial funding decisions.

Question: What are the Department's research, demonstration and evaluation plans (R,D&E)?

Answer: For transition period 1984 and program year 1984, the R,D&E priorities are the evaluation of the JTPA implementation and support of the performance standards requirements in the Act. The continuation of the National Longitudinal Surveys is also anticipated, with some downward budget adjustment. A detailed list of the planned projects is attached.

FY 1984
Federally Administered Programs
National Activities
Research and Evaluation
($ in Thousands)

Activity/Contractor	(10/1/83-6/30-84)	7/1/84-6/30/85
Research/Demonstrations	$5,700	$5,650
o National Longitudinal Survey	3,200	3,900
o Performance Standards	350	250
o Dislocated Workers	275	-0-
o UI Placement Demonstration	500	
o Dissertations - Closeout	25	-0-
o Projects Book	100	

($ in Thousands)

Activity/Contractor	(10/1/83-6/30-84)	7/1/84-6/30/85
o Current Employment Policy Issues	750	1,000
o Women's Employment	500	500
Evaluations	3,200	6,100
o JTPA Longitudinal Study	600	5,500
o JTPA Process Study	250	-0-
o Assessment of Performance Standards	-0-	300
o CLMS - Closeout	700	-0-
o Job Corps	650	-0-
o ES Assessment	500	300
0 TJTC	500	-0-

Question: What is the status of monitoring studies such as the Continuous Longitudinal Manpower Survey (CLMS)?

Answer: The CLMS will be phased out during FY 1984 as final data is collected on CETA participants who entered the program in 1975-81. The new Job Training Longitudinal Survey will perform a similar function with respect to JTPA participants.

Question: Will the new Job Training Longitudinal Survey, designed to track JTPA enrollees, be comparable with the CLMS, which tracked CETA participants, so that the two programs can be compared?

Answer: The new Job Training Longitudinal Survey (JTLS) will be similar to the CLMS in that it will track a sample of participants with the principal objective of measuring the impact of JTPA programs on participants' employment and earnings. The survey will also provide national estimates of the number, characteristics, and activities, of JTPA participants enrolled and terminated on a quarterly basis. The JTLS will supplement the Federal reporting requirements for Service Delivery Areas (SDA's).

One difference between CETA and JTPA is that Section 106 of JTPA calls for the Secretary of Labor to establish performance standards relating to labor market outcomes and reduction in welfare dependency attributable to the program. Data from the JTLS will support the development of such performance standards, will validate performance standards developed from other sources, and will identify methods of minimizing time lags and cost burdens on SDA's as they collect data.

Finally, the JTLS will be a source of data for analyses of the economic and labor force status of participants subsequent to leaving the program. In addition to being used for estimating the net impact of the program on employment, earnings, wage rates, and welfare dependency, the data will be used to determine if participants are able to support themselves.

Question: Will your research and evaluation plans provide Congress with adequate data and information to determine the success or failure of JTPA?

Answer: The JTLS data, coupled with the findings from the process evaluation on JTPA implementation, now being conducted by Westat, Inc., will provide us with adequate information to judge the success or failure of the JTPA program.

Question: What training and technical assistance (TAT) are you providing during the current 9-month transition phase, and what will you be providing on an on-going basis?

Answer: During the 9-month transition period, DOL is providing the following types ot TAT:

- o CETA Close-out Assistance
- o Management Information System Models
- o ES/JTPA Training
- o Title III program TA
- o Indian and Migrant Program TA
- o Public Interest Group Support
- o Logistical support to enable State participation in training and conferences.

On an on-going basis, JTPA TAT will emphasize financial and management concerns at the State level, as well as continued public interest group support.

Question: Will the Department be providing training and technical assistance (TAT) to Service Delivery Areas and Private Industry Councils or only to States?

Answer: Most direct TAT provided by ETA is for State level concerns. However, through public interest group support, assistance is also geared to cities and counties.

ETA STAFFING

Question: Provide for the record a comparison of the staffing reductions approved by Congress for the Employment and Training Administration with those you are planning to implement. Include reductions in the national office and each regional office, with estimates for each component organization, such as the Employment Service and the Bureau of Apprenticeship and Training.

Answer: A comparison of ETA's 1984 approved staffing and the 1985 estimates are provided. Exhibit I presents the National Office

staffing by budget activity. Exhibit II shows the Regional Offices staffing by region for ETA and Job Corps.

The passage of JTPA and Wagner-Peyser amendments restructured ETA to reflect the reduced Federal role and to achieve mangement economics and efficiencies. The staffing reductions recognize, through a comprehensive reorganization, the new Federal role which deemphasizes Federal program planning and program monitoring and oversight, now rested with the States, and emphasizes the Federal responsibilities of program integrity, financial monitoring, audit resolution, and debt collection.

Exhibit I

Program Administration Budgeted Positions

	1984 Revised	1985 Estimate	Change
CET	159	138	-21
ES	249	231	-18
FCMS	317	309	-8
Ex. Dir. and Admin.	118	95	-23
Reg. Operations	888	759	-129
ETA	733	614	-119
JC	155	145	- 10
BAT	262	232	-30
National Office	19	19	--
Field	243	213	-30
Total PA Appropriation	1,993 1/	1,764	-229

1/ Excludes 16 positions transferred to Departmental Management for VES.

Exhibit II

ETA
Regional Operations - Budgeted Positions

Region	1984 Revised	1985 Estimate	Change
I	68	57	-11
II	77	62	-15
III	84	72	-12
IV	100	85	-15
V	95	80	-15
VI	70	58	-12
VII	48	41	- 7
VIII	61	52	- 9
IX	85	69	-16
X	45	38	- 7
Total	733	614	-119

Job Corps
Regional Budgted Positions

Region	1984 Revised	1935 Estimate	Change
I	8	7	- 1
II	14	13	- 1
III	21	20	- 1
IV	34	33	- 1
V	16	15	- 1
VI	20	19	- 1
VII	8	7	- 1
VIII	9	8	- 1
IX	16	15	- 1
X	9	8	- 1
Total	155	145	-10

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ETA STAFFING

Question: What percent of these employees will have more than 15 years of service with the Federal government?

Answer: Statistics will not be available until reduction-in-force (RIF) actions are completed. Attrition and on-going efforts to place ETA employees within DOL and other agencies will substantially impact on the size and make-up of the RIF.

Question: How many women and minorities will lose their jobs?

Answer: The impact of the RIF on women and minorities is difficult to measure at this time because of the intricate procedures involved in the RIF process. It is expected that, overall, women and minorities will fare as well as anyone else in the system, with perhaps a slightly adverse effect on women because of the veterans preference exercised in the RIF rules and regulations.

Question: Will this reduction-in-force eliminate the Indian staff working on Native American programs?

Answer: As of February 18, 1984, 22 employees are working in the Division of Indian and Native American Programs (DINAP) of which four are Indians. Since 1981, the Indian staff have been reduced by nine. These reductions were accomplished through: reduction-in-force (RIF) (one); reassignment within ETA (one); and attrition (seven). As a result of ETA operating under an employment freeze for several years, imbalances have developed in the types of staff and where those staff are employed. Currently, the functions performed and support provided by DINAP will not be affected by the RIF. There are no planned reductions in DINAP staffing from the current actual on-board level. The proposed RIF may impact on the Indian staff. We have not plotted the ramifications of the RIF. ETA will do everything possible to keep the American Indian staff within DINAP.

Question: Will the reductions approved by Congress fall disproportionately on any minority group?

Answer: It is difficult to measure at this time because of the intricate procedures involved in the RIF process.

LOAN FOR ADMINISTRATIVE COSTS

Question: Despite the economic recovery, you still project a $300 million interest-bearing loan to cover administrative costs in Fiscal Year 1984. Why is there a shortfall of funds for administration?

Answer: Because only 30-35 percent of annual FUTA revenues are collected in first half of the fiscal year, compared with roughly half of the administrative outlays, the balance in the Employment

Security Administration Account is normally drawn down in the first half of the year and replenished in the second half. In past years, there has been a large enough balance carried into the fiscal year to cover this drawdown. However, large outlays during the recent recession caused the carry-in balance to decline to the point where it may no longer be sufficient to cover the negative first half cash flow. As a result, given the economic assumptions in the Fiscal Year 1985 budget we may have to borrow about $300 million in early April of this year and repay the entire amount by the middle of May.

Question: Will the economic recovery stimulate additional revenue to avoid shortfalls in the near future or will the system require additional taxes for administration?

Answer: The economic recovery, in combination with the 1983 FUTA tax increase, is expected to cause a steadily increasing carry-in balance so that no loans will be necessary after 1985.

LABOR FORCE STATUS OF THE UI PROGRAM

Question: During the last year when the Congress grappled with several extensions of the Federal Supplemental Compensation program, no data were available on the labor force status of persons who had run out of or had "exhausted" their Unemployment Insurance benefits. This made it difficult to gauge the need for and the cost of further Federal Supplemental Compensation program extensions. How does the Unemployment Insurance Service plan to provide data on the labor force status of Unemployment Insurance program "exhaustees" in the future?

Answer: The Department of Labor conducted a study in 1983 on the characteristics of unemployment insurance program exhaustees and made a comparison of these exhaustees to recipient of Federal Supplemental Compensation (FSC) benefits. A more extensive but similar study is currently being conducted by a contractor.

These studies should provide the Department of Labor and the Congress with guidance on how to develop policy and legislation regarding the long-term insured unemployed for the near future. At a later time the Department could conduct studies of UI exhaustees when appropriate using special surveys through contract research efforts. The Department will also continue to count the number of unemployment insurance program exhaustees of regular and extended benefits.

Question: Could the Unemployment Insurance Service modify or expand any existing data bases for this purpose?

Answer: The Department of Labor (DOL) plans to discontinue the Continuous Wage Benefit History (CWBH) Survey at the end of Fiscal Year 1984 because it has been determined not to be cost effective for the Federal Government. The CWBH program could only be useful to the DOL if it were expanded to a nationally representative sample of States. This could be done by adding four or five more States to the CWBH program for a total of 21 or 22.

DOL believes a 21 or 22 State sample would provide sufficiently nationally representative information to form the basis for policy studies and legislative recommendations. To achieve a higher level of statistical reliability would require a larger sample of about 25 States.

Question: If so, how much would this cost?

Answer: Using a 22 State sample would sharply increase the cost of the program from $4.0 million in Fiscal Year 1984 to $4.6 million in Fiscal Year 1985 and to $6.3 million in Fiscal Year 1986. A 25 State sample would increase these cost by approximately $1 million in each year. This level of expenditure is unacceptably high in a period of fiscal restraint and given the alternative demands on DOL resources.

Furthermore, these substantial costs would not have any return for a period of over two years. If expansion took place in Fiscal Year 1985 and 1986, there would not be data available for all States until Fiscal Year 1987. This is because of the substantial period of time it takes new States to bring up their individual CWBH programs. By then, the quality control system will be fully functional. This system will provide data that will be nationally representative.

PRODUCTIVITY OF TEMPORARY STAFF

Question: In response to a question last year, you said you had no statistics with which to compare the productivity of permanent versus temporary State Unemployment Insurance staff. However, you said that the program has been administered satisfactorily during a period when the percentage of temporary personnel has grown, and that this means that the greater reliance on temporary personnel has not diminished productivity. State officials often say, however, that temporary staff are less productive and more error-prone than permanent staff. In view of high rates of overpayments reported in recent studies, when will the Unemployment Insurance Service study the effect, if any, of the rising percentage of temporary staff in the system?

Answer: The Pennsylvania agency agreed to develop and perform a short special study which would indicate the differences in cost and output quality between its permanent and temporary employees.

The preliminary results indicated a significant difference in the productivity of the two groups in regard to the average times necessary to process each countable workload item. Temporary staff worked faster in nearly every category. However, the measures of effectiveness ("error rates" or the percent of errors made out of all chances for error) were the reverse. The permanent staff, though slower, produced a significantly lower error rate than the temporary staff.

Additional study is necessary to track error impact so that a "price" in terms of corrective action time and/or incorrect payments can be established. From these data, a cost benefit analysis could be constructed which will show the net cost difference between permanent

staff who work slower but more effectively and hourly staff who work faster but are more error prone.

The Unemployment Insurance Service is currently experiencing declining workloads throughout the system and as a result the percentage of the claims workloads that will be processed by temporary staff will continue to decline as reflected in the following table.

Average Weekly Benefit Claims Processed

	FY 1983 Actuals	FY 1984 Estimates	FY 1985 Estimates	FY 1986 Estimates
Base (Permanent staff)	2.1m (41%)	2.2m (67%)	2.1m (66%)	2.1m (70%)
Contingency (Temporary staff)	3.1m (59%)	1.1m (33%)	1.1m (34%)	.9m (30%)
Total	5.2m (100%)	3.3m (100%)	3.2m (100%)	3.0m (100%)

TRANSITION OF OLDER WORKERS TO UNSUBSIDIZED EMPLOYMENT

Question: Department of Labor regulations set as a goal for project sponsors the placement of at least 15 percent of the number of authorized slots into unsubsidized employment. For the record, provide the rates of transition for each national and each State sponsor for the past two program years.

Answer: The charts which follow provide the rates of transition for each national and each State sponsor for the program years of 1981-82, and 1982-83.

National Contractor Sponsors	1981-82	1982-83
Green Thumb	18	20
National Council of Senior Citizens	12	13
American Association of Retired Persons	33	34
National Council on the Aging	17	23
U.S. Forest Service	6	11
National Urban League	22	23
National Center and Caucus on Black Aged	7	8
National Association for Spanish-Speaking Elderly	16	13

State Sponsors	1981-82	1982-83	State Sponsors	1981-82	1982-83
Alabama	*	*	Nebraska	22	43.4
Alaska	9.7	7.3	Nevada	33.9	17.0
American Samoa	-0-	-0-	New Jersey	*	*
Arizona	5.9	61.0	New Hampshire	*	*
Arkansas	8.8	31.0	New Mexico	11.1	17.0
California	22.2	24.0	New York	16.2	15.0
Colorado	23.5	21.0	North Carolina	5.3	7.0
Connecticut	10.0	13.0	North Dakota	*	*
Delaware	8.8	13.0	Ohio	6.2	6.0
D.C.	30.6	18.0	Oklahoma	12.8	10.9
Georgia	11.5	10.0	Oregon	8.1	15.9
Guam	4.6	6.0	Pennsylvania	12.8	10.9
Hawaii	11.9	14.5	Puerto Rico	*	*
Idaho	8.1	23.0	Rhode Island	3.2	3.0
Illinois	7.3	13.6	South Carolina	4.8	7.0
Indiana	9.0	6.5	Tennessee	9.2	17.6
Iowa	12.9	12.0	Texas	13.7	17.6
Kansas	*	*	Utah	16.1	16.4
Kentucky	4.7	8.0	Vermont	9.7	23.0
Louisiana	8.1	18.8	Virginia	12.3	18.2
Maine	17.3	17.0	West Virginia	14.5	9.5
Maryland	3.3	6.0	Wisconsin	9.5	5.0
Massachusetts	5.6	8.6	Wyoming	19.4	10.0
Michigan	4.0	11.5	Virgin Islands	-0-	-0-
Minnesota	6.7	17.6	Northern Marianas	-0-	-0-
Mississippi	9.5	14.7	TTPI	-0-	-0-
Missouri	13.7	40.0			

* State Sponsor share of program allocated to and administered by a national contractor-sponsor.

TRANSITION OF OLDER WORKERS TO UNSUBSIDIZED EMPLOYMENT

Question: For the record, provide to the Committee a copy of instructions which the Department issues to national and State sponsors on the procedures to be used in determining transition rates.

Answer: Attached are four bulletins and a portion of the Regulations that provide instructions to sponsors for the purpose of determining their transition rates.

MAY 28 1982

BULLETIN OW 82-8

TO: SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM (SCSEP) SPONSORS

SUBJECT: Unsubsidized Employment

1. Purpose. The purpose of this bulletin to clarify and remind sponsors of the meaning of the term "unsubsidized employment" and to insure that the data collected by the Quarterly Progress Report will be both valid and reliable.

2. References. 29 CFR 89.29. March 25, 1981, and OW 77-16.

3. Background. During the present program year, we have noticed an increase in the number of unsubsidized placements made by some sponsors. Of course we are delighted by this positive development. However, we have also learned that some sponsors are counting placements into the Foster Grandparent Program as unsubsidized placements. Because of the "volunteer" nature of the Foster Grandparent Program, we do not believe these terminations should be considered unsubsidized placements.

Bulletin OW 77-16 provides the following definition of unsubsidized employment. "Unsubsidized employment shall mean employment in the public or private sector where the former SCSEP participant is not a participant in a federally funded employment and training program." Placements into staff positions in CETA or ACTION programs are to be counted as unsubsidized.

4. Directive: For the purpose of determining placement figures, SCSEP sponsors shall abide by the definition of unsubsidized employment mentioned above. They should also add the following.

"In addition, placements into programs operated by ACTION shall not be counted as unsubsidized unless they are in non-volunteer positions." Therefore, when compiling data for the QPR, all SCSEP participants transferred to other federally funded employment and training programs as participants (including the Comprehensive Employment and Training Act or its successor) or into ACTION sponsored "volunteer" programs (including the Foster Grandparent Program) shall be considered "other terminations." This directive is retroactive to July 1, 1981.

5. Expiration Date. Continuing.

WILLIS J. MARTIN
Acting Director
Office of Special Targeted Programs
for Older Workers

DAVID T. COPENHAFER
Acting Administrator
Office of Special Targeted Programs

APR 4 1980

BULLETIN OW 80-13

TO: Sponsoring Organizations Under the Senior Community Service Employment Program (SCSEP)

SUBJECT: Unsubsidized Employment

1. Purpose. It is the purpose of this bulletin to clarify for SCSEP project sponsors what is meant by the term "unsubsidized employment" so that the data collected in the Quarterly Progress Reports (QPR) will be both valid and reliable.

2. References. 29 CFR 89.29(a), Federal Register, March 2, 1976.

3. Background. There has been some confusion surrounding the types of SCSEP participant terminations that may be counted as "placements in unsubsidized employment", and it has come to the attention of the Office of National Programs that not all SCSEP sponsors are utilizing the same criteria in determining their unsubsidized placement figures.

4. Directive. For the purpose of determining placement figures, SCSEP project sponsors shall abide by the following definition of "unsubsidized employment":

> "Unsubsidized employment" shall mean employment in the public or private sector where the employment is not financed in whole or in part by the Comprehensive Employment and Training Act (CETA), Title V of the Older Americans Act, or any other federally funded employment and training program of a similar nature. However, former SCSEP participants who are placed in administrative or other support positions funded by these programs where these individuals are not participants in the programs, and where their wages are not paid from the enrollee wages cost category shall be considered to have been placed in unsubsidized employment.

Only terminations due to placement in unsubsidized employment shall be classified as such. Therefore, when collecting data for the QPR, all SCSEP participants transferred to other federally funded employment/training programs as participants shall be counted as "other terminations."

5. Expiration Date. Continuing.

RAYMOND GODWIN
Administrator
Office of National Programs

PAUL A. MAYNARD
Chief
Older Worker Work Group

DEC 15 1977

BULLETIN OW 77-16

TO: Sponsoring Organizations Under the Senior Community Service Employment Program (SCSEP)

SUBJECT: Unsubsidized Employment

1. Purpose. It is the purpose of this bulletin to clarify for SCSEP project sponsors what is meant by the term "unsubsidized employment" so that the data collected in the Quarterly Progress Reports (QPR) will be both valid and reliable.

2. References. 29CFR89.29(a), Federal Register, March 2, 1976.

3. Background. Recently there has been some confusion surrounding the types of SCSEP participant terminations that may be counted as "placements in unsubsidized employment", and it has come to the attention of the Office of National Programs that not all SCSEP sponsors are utilizing the same criteria in determining their unsubsidized placement figures.

4. Directive. For the purpose of determining placement figures, SCSEP project sponsors shall abide by the following definition of "unsubsidized employment":

> "Unsubsidized employment shall mean employment in the public or private sector where the former SCSEP participant is not a participant in a federally funded employment or training program.

Only terminations due to "placement in unsubsidized employment" may be classified as such. Therefore, when collecting data for the QPR all SCSEP participants transferred to other federally funded employment and training programs, including programs authorized under the Comprehensive Employment and Training Act of 1973, as amended (CETA), shall be counted as "other terminations".

5. Expiration Date. Continuing.

Lamond Godwin

LAMOND GODWIN
Administrator
Office of National Programs

Harold E. Rieve

HAROLD E. RIEVE
Chief
Division of National
Training Programs

From Older Worker Bulletin 84-5.

(13) Temporary enrollees. Describe utilization of temporary enrollees and the anticipated number of temporary enrollees to be hired. See 29 CFR 89.34. Indicate the following:

a. How enrollees will be notified of temporary status.
b. How temporary status of enrollees will be designated in enrollee records.

(14) Maintenance of Effort (MOE). Describe steps to be taken to assure compliance with MOE provision. See 29 CFR 89.41.

b. Performance Goals

Specify the following: (1) the number of authorized community service employment positions under the project and (2) the number of enrollee unsubsidized placements to be achieved during the funding period. The goal for unsubsidized placement shall be at least 15 percent of the number of authorized positions in the project. (3) Indicate the date by which the new positions will be filled.

c. Coordination and Cooperation

Describe the cooperation relationships and working linkages which have been or will be established with other employment related programs and agencies (including other SCSEP projects, prime sponsors under the Job Training Partnership Act (JTPA) and State employment security agencies) and with agencies concerned with or experienced in the problems of the aging (including State and area agencies on aging). Also, describe the arrangements or agreements made with any labor organization which is necessarily connected with the project. Indicate any other cooperative or coordinative relationships that will assist program performance and assure equitable access to the program among cities, counties or other appropriate jurisdictions. See 29 CFR 89.17. In addition, describe current slot imbalances and what your organization is proposing to do to correct such inequities in conjunction with other SCSEP sponsors.

Section 4 Geographic Areas to be Served

List the States, cities and counties (including rationale for selection of same), where the project or its subprojects will be conducted. Include the number of SCSEP authorized positions to be established in each of those jurisdictions. For multiState projects, the distribution of authorized positions should be listed for each State. For those applicants with a project located in a city but also serving surrounding counties (or other jurisdictions), the surrounding counties (or jurisdictions) should be listed with the number of authorized positions in each one.

Section 5 Program Administration

a. Organizational Structure: Describe the organizational structure of the project, including a description of the mission and function of each organizational unit connected with the project. Identify and include brief and relevant job descriptions and qualifications for all administrators and professional technical staff.

TITLE V EXPERIMENTAL PROJECTS

Question: The Older Americans Act amendments of 1981 mandated the Department to conduct experimental projects for second career training and placement of older workers in private business concerns. What has the Department learned as a result of these projects? Can the Department make any policy recommendations based on the results to date?

Answer: The first round of experimental projects involved only 11 organizations and had a duration of 6 months. During this first year the projects had 803 participants of which 385 were placed in jobs in

the private sector. $1.2 million was utilized for this program (see attachment).

The second round of 16 experimental projects is underway using approximately $3 million. These projects will conclude in June 1984. When the results from the second round of projects are available, we will have enough information to evaluate the experience. It is premature to formulate any policy changes at this time.

Description of Private
Experimental Projects
January 1983 - June 1983

Sponsor	Number of Participants	Funding Level	Placements
Green Thumb	179	$400,000	104
	The Green Thumb project utilized a combination of on the job (OJT) and classroom training to prepare enrollees for the jobs in the health and clerical fields.		
National Council of Senior Citizens	221	$250,000	105
	The National Council developed a classroom training model to prepare trainees for placement in jobs as aides with several large national home health aide firms. A unique feature of the program was job development at the central corporate level.		
National Council on Aging	92	$199,200	66
	The National Council used a variety of training methods including classroom training, OJT, and work experience in a wide spectrum of occupational areas.		
National Urban League	46	$101,000	21
	The National Urban League continued to favor the OJT model and had good success in making placements chiefly in the clerical and banking fields.		
State of Texas	20	$72,801	12
	Operating in the developing San Antonio area, the Texas project used both classroom and OJT to train older workers for jobs in the computer field and for construction work.		
State of Pennsylvania	40	$45,000	19
	Utilizing the State Employment offices and staff, the Pennsylvania project developed OJT, classroom training and work experience training through private employers. The health field was the area of special emphasis.		

State of Alaska	4	$35,164	1

The Alasks program utilized the services of Job Service's Older Worker representatives to develop OJT opportunities that were based on the special interests and aptitudes of older workers.

State of Missouri	150	$26,525	45

This project trained older workers in the operation of micro-computers for employment in that field. The project operated primarily in rural areas and was designed to provide for employment at home.

State of Oregon	47	$25,000	8

This project utilized a job club to prepare trainees for the labor market. Another important program aspect was the use of OJT once a job club trainee found an interested employer.

State of Delaware	5	$14,434	4

This project used a local college specializing in hotel/motel management to train the participating enrollees. The project also had an OJT phase.

State of Maryland	20	$14,374	20

The Maryland project prepared 20 older workers for placement as home health aides. A unique feature of the project was the creation of registry which will assist with placements.

TITLE V EXPERIMENTAL PROJECTS

Question: What are the characteristics of participants in the experimental projects and how do they differ from other Title V participants?

Answer: The experimental project participants differ from their Senior Community Service Employment Program (SCSEP) counterparts by being younger and better educated. The typical participant in an experimental project is more likely to be female, better educated and younger than the average SCSEP participants. The following participant characteristics chart demonstrates the differences.

	SCSEP 1/	Experimental Projects 2/
Total Participants	54,300	523
Male	34%	17%
Female	66%	83%
Education Levels		
8th and Under	33%	20%
9th - 11th	22%	23%
12+	45%	56%
Age		
55-64	52%	81%
65+	48%	19%

1/ Percentages are based on the total SCSEP program July 1983.

2/ Percentages are based on a sample of experimental project sponsors.

Question: In what types of employment opportunities are these workers participating and how do they differ from other Title V jobs?

Answer: Most of the experimental jobs are in the health care field with 33 percent of the enrollees being trained as nurses aides. The other two fields having significant participation levels are the clerical field with 15 percent of the participants and the computer related occupational area with a 14 percent level.

The Department does not collect specific information about Senior Community Service Employment Program (SCSEP) job titles. Instead, an inventory of service areas is kept on participation rates in the fields of education, health, housing, etc. However, some comparisons are possible. In the SCSEP program, approximately 10 percent of the enrollees are participating in health care occupations.

The three occupational areas having the highest participation levels are education at 12 percent, social services at 11 percent and nutrition at 10 percent.

Question: Has the rate of transition to unsubsidized employment under the experimental project differed from rates of transition for other Title V sponsored activities?

Answer: Over 50 percent of the experimental project participants were working in unsubsidized jobs at the end of the initial phase of the project, June 30, 1983. This rate exceeds the placement rate achieved in the regular SCSEP program which for the same period was 19.5 percent.

NEED FOR IMPROVED REPORTING AND TECHNICAL ASSISTANCE ON TITLE V

Question: An evaluation of the Title V program completed for the Federal Council on Aging in 1981 indicated that the Department could improve its data collection procedures and technical assistance activities to project sponsors. What steps has the Department taken to improve (1) data collection and analysis of the program and (2) technical assistance activities, since the Federal Council evaluation report was completed?

Answer: To improve on the collection and analysis of data relative to this program, a number of significant steps have been taken by the Department, including the following:

- Assigned staff is required to monitor for the timeliness the receipt of all required reports from each sponsor, with emphasis on the two principal reports that are prepared and submitted by sponsors on a quarterly basis; the Quarterly Progress Report (QPR) and the Financial Status Report (FSR). When a sponsor fails to submit a report within prescribed time limits, we immediately contact the delinquent sponsor concerning the reporting delinquency.

- On a timely basis each quarter, assigned staff is required to complete a structured and documented analysis of the two principal reports (QPR and FSR) that are submitted by each sponsor. This analysis, referred to as a "desk review", is designed to provide a quarterly assessment of the status of each sponsor's project, primarily as it pertains to the management of its financial resources and progress towards meeting performance goals. The results of this quarterly review process may also serve to indicate that a sponsor may need some type of technical assistance.

- Computer processing is now being used to enhance and facilitate the aggregation and analysis of the QPR and FSR data that are received from all sponsors.

- The most significant improvement in the Department's technical assistance activities is that staff have been making more visits to project sites for the specific purpose of providing technical assistance to sponsors (as well as to do monitoring, where scheduled). Also pursuant to improvement in the timeliness and quality of the quarterly desk review process, technical assistance needs are being identified and met in a more timely and "non-crisis" manner.

Question: What initiatives are under consideration?

Answer: At this time, no new initiatives in the reporting area are under consideration. There are no plans for increasing the amount of data that sponsors would be required to collect and send to the Department.

TRADE RETRAINING

Question: Provide a list of how the $29.7 million appropriated in Fiscal 1984 for Trade Adjustment Assistance was distributed by State.

Answer: The distribution of these funds was made to regional offices for subsequent allotment to individual States as needed. Roughly half of the appropriation has been allocated to date. We will survey all States at mid-year to determine priority needs and distribute the remainder.

Funding by regional offices for the first six months of Fiscal Year 1984 is as follows:

Boston	$ 285,947
New York	1,426,212
Philadelphia	5,470,256
Atlanta	509,553
Chicago	2,379,057
Dallas	346,403
Kansas City	155,376
Denver	368,044
San Francisco	3,699,809
Seattle	259,993
Total	$14,900,650

This distribution will guarantee sufficient funds for each State to pay for program entitlements such as job search and relocation. Training costs vary widely by State and these funds were prorated according to need reported by all States.

Question: If Congress decides to continue appropriations for a separate Trade Act retraining program, would you prefer to keep it as part of the State Employment security account, move it to the Training and Employment Services account, or perhaps establish an entirely separate appropriations account?

Answer: The Department would prefer any such continuation of appropriations within the Training and Employment Services account.

RESEARCH, DEMONSTRATION AND EVALUATION PLANS

Question: What are the Department's research, demonstration and evaluation plans in the area of job training and unemployment?

Answer: The overall purpose of the Department of Labor's research, demonstration and evaluation activities is to improve employment and training policies and programs for the Nation's unemployed and underemployed. With passage of the Job Training Partnership Act (JTPA) and its emphasis on job training, the Department's priorities this year are to evaluate JTPA implementation and also support the performance standards requirements in the Act.

After budget adjustments for provision of resources for the rural Concentrated Employment Programs, as mandated by Congress, remaining

funds for the Research and Evaluation program for the first nine-month period from October 1983 to June 30, 1984 total $9.1 million. For the full program year ending June 30, 1985, resources total $12.2 million. The substantial research and evaluation commitment includes funds for the National Longitudinal Surveys, the JTPA Process and Longitudinal Studies and phaseout of the Continuous Longitudinal Manpower Survey. These responsibilities, coupled with specific mandates of the Act with respect to performance standards and evaluation of ongoing programs will virtually exhaust all the resources indicated above.

In addition to these ongoing evaluation commitments, competitive awards will be made in FY 1984 in six priority research and evaluation areas. These areas were published in the Commerce Business Daily early in the fiscal year and are listed for your information. So far this year, Request for Proposals (RFPs) have been announced for a Job Corps study and an extension of the ES-UI Claimant Placement and Work Test Demonstration.

1. Methods to obtain post-program information on earnings gains and job retention for setting and applying performance standards for local employment and training program performance.

2. Continuation of statistical and econometric work related to performance standards developmental activities.

3. Continued support for efforts to improve employment services to unemployment insurance (UI) claimants.

4. Competition for all or parts of the work of the National Longitudinal Surveys of Labor Market Experience (NLS).

5. Assessment of the manner in which the Employment Service implements the Wagner-Peyser amendments to JTPA.

6. Further work on the development of performance standards for the Employment Service for 1985.

MONITORING AND EVALUATION OF JTPA

Question: How are you monitoring and evaluating the new Job Training Partnership Act so that Congress can determine its effectiveness?

Answer: The Department of Labor has set up a continuous, longitudinal, national survey to evaluate the effectiveness of programs conducted under Title II-A and III of JTPA. This survey is known as the Job Training Longitudinal Survey (JTLS).

The sample design and the conduct of the survey is being done by the Bureau of the Census through an interagency agreement. Using sampling procedures similar to those used in the Current Population Survey, Census is planning to select a sample of about 200 JTPA service delivery areas (SDA's) from which samples of program participants will be drawn. Each quarter, Bureau of the Census staff will select random samples of 6,000 new enrollees and 3,000 terminees

in the sampled SDA's, and collect administrative data on them from local records. In addition, a subsample of 2,500 participants will be drawn quarterly from the enrollee sample, and personally interviewed during the second quarter after entry and followed up at 12 and 21 months after entry.

The participant sample will be selected quarterly using a Bureau of the Census design that will result in reliable national estimates relating to the program participants and their experience before, during, and after their program activity. However, the initial phase of the survey will be used to build up to the full sample, and the initial estimates will be representative only of a partial sample consisting of the larger SDA's. Several months later the sampling will be complete, and reliable national estimates can be constructed dating from the beginning of the program.

Data will be collected from SDA administrative records and through personal interviews with participants to provide national measures of numbers of enrollments and terminations, demographic characteristics of participants and their JTPA program activity, and pre- and post-enrollment (at least one year) labor market activity and welfare dependency. Through the use of comparison groups of similar individuals who, although eligible, did not receive JTPA training, the program impact will be measured in terms of employment, earnings, wage rates and welfare dependency.

The JTLS is a continuous survey with new sampled participants being added each quarter. Reports on descriptive statistics about participants will be produced quarterly, and impact studies will be done on a program-year basis. We expect the first descriptive reports to be available around mid-April of this year. As indicated earlier, the initial April reports will represent a partial survey, covering 89 generally larger SDA's. Thereafter, these reports will include the survey's full sample of about 200 SDA's.

In addition to the impact evaluation provided for by the JTLS, the Department is also undertaking a two-year process study of the implementation of JTPA in a 20-State sample. The general purpose of the study is to identify, track and assess major organizational and operating issues and to examine the processes and problems relating to implementation of the Act. Observations will be made during four phases, with reports issued at the end of each phase.

The study will document plans and activities under Titles I, II-A and III and will attempt to assess the effectiveness of different approaches in the context of the varying characteristics associated with the sampled States and service delivery areas. Special attention will be given to the effects of the increased authority and responsibility vested in Governors and the greater emphasis placed on the involvement of the private sector.

Findings will be used to track the progress of implementation, identify potential problem areas and provide information which can be used in making programmatic adjustments.

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EMPLOYMENT SERVICE

Question: How can private employers be encouraged to make greater use of the Employment Service so that it functions more effectively as a labor exchange?

Answer: Private employers will make greater use of the Employment Service (ES) with improved performance in the timely referral of qualified applicants. Two major developments now underway could help achieve such enhanced productivity. Efforts are being made to expand employer awareness and utilization of the National Job Bank System (NJBS). NJBS automation and other improvements in the past year have increased the ability of ES to recruit qualified workers in one State for hard-to-fill jobs in other States. Also, USES is in the final stage of development of a new occupational testing methodology which will, for the first time, enable the use of aptitude tests to validly identify productive workers for every job in the U. S. economy. Pilot projects on this new methodology in North Carolina have demonstrated expanded job orders and placements as a result of the availability of the new methodology to screen applicants with tests for all jobs.

IMPLEMENTATION OF JOB TRAINING PARTNERSHIP ACT

Question: The Job Training Partnership Act (JTPA) formally took effect October 1, 1983, establishing a new job training program for disadvantaged and dislocated workers, designed jointly by States, local governments and private industry representatives. During the year-long transition from the date of enactment to the date of implementation, Governors were required to appoint State councils and to divide their States into service delivery areas. Each service delivery area must have a Private Industry Council (PIC) dominated by private sector representatives, to plan the program in the area. Were all States, Service Delivery Areas and Private Industry Councils ready to take over their new job training responsibilities on October 1, 1983?

Answer: Of the current 597 service delivery areas, information available to the Department indicates that in all but two cases States, SDAs and PICs were ready to take over their new job training responsibilities on October 1. In the two exceptions, law suits related to SDA designation were in progress which precluded the start up of operations. In both cases, however, the States made arrangements to continue services to participants who were transferred from the CETA system to JTPA.

IMPLEMENTATION OF JTPA

Question: Now that the transition is complete and the program is underway, how many service delivery areas and Private Industry Councils are in place?

Answer: There are currently 597 service delivery areas (SDAs). All SDAs have Private Industry Councils (PIC) although in some locations a single PIC is serving more than one SDA.

Question: How does this compare with the number of prime sponsors under the Comprehensive Employment and Training Act, the predecessor to JTPA?

Answer: During Fiscal 1983, the last year of operation under CETA, there were 475 prime sponsors. The major reason for the difference in the number of SDAs versus prime sponsors is the break-up of old CETA balance-of-State areas, and the designation of these areas as SDAs.

Question: What is the nature of private sector involvement in planning this new program? Is it real or in name only? What difference is it making in terms of the type of training offered? For example, is there an increase in on-the-job training as a result of private sector involvement, as predicted by the Administration?

Answer: The National Alliance of Business recently conducted a survey covering nearly all service delivery areas. It found that private sector representation on Private Industry Councils (PICs) nationally is 56.7 percent, and totals approximately 11,000 business volunteers. On the State Job Training Coordinating Councils (SJTCCs), private sector representation is 33.8 percent of the membership, the largest single contingent on the State Councils. Most are new to the publicly funded employment and training system.

The private sector will have a much broader influence and role in all aspects of job training programs under JTPA, including:

- o SJTCC's will be involved in planning, coordinating and monitoring the provision of programs and services in the State, subject to the Governors' approval;
- o PICs in 15 percent of the SDAs serve as grant recipient, program administrator, or in both capacities;
- o Seventy-five percent of PICs actively participate in determining types of training, in selecting service providers, and in evaluating programs;
- o Small businesses provide training in 78.6 percent of the SDAs, while large businesses provide training as well in 54.7 percent of the SDAs;
- o Substantial business involvement is reflected in greater emphasis on on-the-job training in at least 232 SDAs (39 percent of those surveyed);
- o Private sector participation is also expected to result in higher job placement rates.

Question: How many service delivery area (SDA) designations and Private Industry Council (PIC) appointments were appealed to the Secretary of Labor? How were these cases resolved? How many cases went to court? In general, did the process of setting up this new system go smoothly?

Answer: Under the initial SDA designation process for JTPA, there were 21 appeals filed with the Secretary, involving 10 States. In 14 cases the appeals were denied and the Governor's decision was upheld by the Secretary. In 7 cases the appeals were upheld and the Governor's decision was overturned. The Secretary's decision was appealed to the United States Court of Appeals in 8 cases involving 5 States. The attached listing indicates the current status of all the SDA appeals, including Court of Appeals cases.

We do not have any information on contested PIC appointments, if any, since this is not a matter of appeal to the Secretary under JTPA. The establishment and certification of the PICs are subject to State and local decision making pursuant to the provisions of Section 102 of the Act.

The Governor's disapproval of local job training plans is another matter that may be appealed to the Secretary pursuant to the provisions of Section 105 of the Act. We have received no such appeals for the initial 9-month period under JTPA.

Overall, the fact that there were 595 SDAs designated, and in only 21 cases appeals were filed with the Secretary, suggests that the SDA designation process went smoothly, without significant problems.

Secretary's Decisions on
SDA Designation Appeals

State	Appellant Entity	Outcome
1. Alabama	Huntsville/Madison	appeal denied
2. Illinois	Cook County	appeal denied
3. Kentucky	Eastern Kentucky Concentrated Employment Program (EKCEP)	appeal upheld
4. Maine	Penobscot Consortium	appeal upheld*
5. Minnesota	Anoka County	appeal denied
6. Minnesota	Dakota County	appeal denied
7. Minnesota	North Star Consortium	appeal denied
8. New Hampshire	Belknap County, et al.	appeal denied*
9. New Hampshire	Hillsborough County	appeal denied*

State	Appellant Entity	Outcome
10. New Hampshire	Rockingham/Strafford Counties Consortium	appeal denied*
11. New York	Erie County	appeal upheld*
12. Pennsylvania	Luzerne County	appeal denied*
13. Pennsylvania	Westmoreland County	appeal denied
14. Puerto Rico	Mayaguez Consortium	appeal upheld*
15. Puerto Rico	Caguas Consortium	appeal upheld*
16. Puerto Rico	Consorcio del Centro	appeal denied
17. Puerto Rico	Consorcio del Sur-Este	appeal denied
18. Puerto Rico	Consorcio del Norte-Sur Oeste	appeal denied
19. Puerto Rico	Ponce/Utuado Consortium	appeal denied
20. Rhode Island	Providence/Cranston Consortium	appeal upheld
21. Rhode Island	Northern Rhode	appeal upheld

*Indicates decisions that were subsequently appealed to the United States Court of Appeals.

Status of Court of Appeals Cases

Appealing the Secretaty's Decisions

1. State: Maine Appellant: State of Maine

   Outcome: The First Circuit Court remanded the case to the Secretary for reconsideration. On remand, the Secretary reversed his previous decision and denied the Penobscot Consortium's appeal and upheld the Governor's decision. The Consortium is appealing this latest decision to the First Circuit Court.

2. State: New Hampshire Appellants: Belknap County, et al. (7 counties) Consortium; Hillsborough County; and Rockingham/Strafford Counties Consortium

   Outcome: The First Circuit Court heard all three cases simultaneously and upheld the Secretary's decision in two cases and overturned his decision in the third case. The Court upheld the Secretary's decision denying the Belknap County, et al. Consortium and Rockingham/Strafford Counties Consortium appeals.

The Court overturned the Hillsborough County decision and upheld the County's appeal.

3. State: New York Appellant: State of New York

Outcome: The First Circuit Court remanded the case for reconsideration at the request of the Secretary. On remand, the Secretary reversed his decision and denied the appeal, thus upholding the Governor's decision.

4. State: Pennsylvania Appellant: Luzerne County

Outcome: The Third Circuit Court heard the case and denied the County's appeal and upheld the Secretary's decision.

5. State: Puerto Rico Appellant: Governor Romero-Barcelo and the Commonwealth of Puerto Rico

Outcome: The First Circuit Court heard the cases involving the Mayaguez and Caguas Consortiums at the same time. In both cases, the Court overturned the Secretary's decisions and upheld the Governor.

STATEWIDE ACTIVITIES UNDER JTPA

Question: The Job Training Partnership Act allows Governors to reserve certain portions of State allotments under title II of the Act for the following purposes: 8 percent for State education coordination grants; 3 percent for programs for older workers; 6 percent for incentive awards to service delivery areas exceeding performance standards (unused portions of this set-aside are to be used for technical assistance); and 5 percent for Governors to use for auditing, administration, coordination and special services activities, and expenses of the State job training coordinating council. How are the States spending their education coordination funds? Through what State agency are they being spent? How are these funds coordinated with other education and vocational education resources in the states?

Answer: With regard to fund distribution, a survey showed that of 36 States responding:

--The majority indicated that the 8 percent set-asides were transferred to the state educational unit to administer the funds.

--Eight States stated that the funds will be given to service delivery areas (SDAs) by formula. Two others indicated the same; however, a portion of their 8 percent set-aside will be reserved for competitive program selections.

--Three States will be conducting statewide competitions.

--Two States indicated that a portion of their funds would be administered through an interagency transfer and that some funds are reserved for statewide competition.

--One State indicated that funds are being used statewide in response to training demands with no specified geographic distribution.

A survey showed that, of the 38 States identifying the target populations to be served, the following were the most frequently identified:

Target Groups	No. of States
In-school youth	30
Out-of-school youth	33
Dislocated workers	18
Other adults	32

Other target groups include offenders, the handicapped, and displaced homemakers.

Question: How does this program under JTPA differ from the education set-aside under the Comprehensive Employment and Training Act?

Answer: Under CETA, education set-aside funds could be used as follows:

- o Funds were limited to service for the economically disadvantaged.
- o Non-financial agreements were required.
- o Involvement of local educational agencies was mandated.

Under JTPA:

- o There is no requirement for non-financial agreements.
- o Only 75 percent of funds available must be spent on economically disadvantaged individuals.
- o Local educational agency involvement is not required; the State education agency may enter directly into agreements with local SDA administrative entities. However, local educational agencies are involved in virtually every State.
- o Funds must be matched at the local level.

Question: How are States implementing the new training program for older workers under JTPA?

Answer: A recent survey was conducted by the National Governors' Association to obtain programmatic and administrative information on the implementation of Section 124 programs under JTPA. The survey showed that, of the 35 States responding:

--20 have issued statewide requests for proposals (RFP's).

--9 States will distribute funds to service delivery areas (SDAs) by formula.

--4 States transferred funds to the State agency on aging.

--2 States provide most of the funds to service delivery areas (SDAs) while retaining some for the State Agency on Aging for RFPs.

Question: To what extent are State Units on Aging and local Area Agencies on Aging involved in this program?

Answer: The majority of the States plan to utilize the State Agency on Aging in some capacity in administering the 3-percent programs. Some States have involved State Agencies on Aging through participation on task forces and advisory groups, and otherwise assisting in the planning for the program.

Question: How is this program being coordinated with the Community Service Employment Program for Older Americans (Title V of the Older Americans Act)?

Answer: Twenty-five of 44 States surveyed by the National Governors' Association indicated that the Section 124 program would be administered in conjunction with the Title V Older Americans programs. Some States have assigned the program's operational responsibilities directly to the Senior Community Service Employment Program operators.

Question: How is this program attempting to create employment opportunities for older workers in the private sector?

Answer: The program provides training, retraining and employment related assistance to older workers with particular emphasis on preparing them for jobs in the private sector. Programs are developed in conjunction with Service Delivery Areas and they are designed to assure that economically disadvantaged persons age 55 and over are trained and placed in employment opportunities with private business concerns.

Question: Because this is the first year of JTPA operations, Service Delivery Areas have no track record for Governors to examine in making incentive awards. How then is the 6 percent set-aside for incentive awards being used this year? Are States using these funds for technical assistance? What kind of technical assistance? Once States begin making incentive awards, what resources will be available for technical assistance?

Answer: The National Governors Association conducted a survey of States in the fall to ascertain their plans. Of the 35 States responding to a question on administering the 6 percent set aside:

--The vast majority (26) of the States responded that these funds would be used for technical assistance purposes;

--Seven States stated that the funds would be used for both technical assistance and incentive grants;

--Two States indicated that the funds would be used for grant incentives.

A variety of different types of technical assistance is being provided. Some States are establishing statewide management information systems to collect and analyze data to be used in measuring performance. Others have established State training institutes to improve the skills of local program operators. Another common technical assistance activity involves establishing administrative procedures and training staff on their implementation, to facilitate effective management of the program.

Resources will continue to be available for technical assistance purposes once States begin making incentive awards. Section 106 (h) (1) of the Act requires Governors to provide technical assistance to programs that do not meet performance criteria. Section 202 (b) (3) sets aside 6 percent funds for two purposes: to provide incentive grants for programs exceeding performance standards including incentives for serving hard-to-serve individuals; and, to provide technical assistance to service delivery areas that do not qualify for incentive grants. Thus, financial resources will continue to be available for areas needing technical assistance in future years.

Question: How are States using their 5 percent administrative monies? Is this amount sufficient to cover activities other than basic administration, State council expenses and auditing?

Answer: States are creating a number of basic management systems to ensure integrity and accountability for JTPA funds. Among the systems to be maintained are:

--Grant management systems, including budgetary oversight systems;

--Fiscal systems and controls, including cash management systems, property control, operations systems, and oversight systems;

--Grievance and affirmative action monitoring;

--Audit oversight and audit resolution systems.

In addition, the administrative grant will support a number of activities relating to SDA programs:

--Support of the State Job Training Coordination Council;

--Coordination activities with other State agencies;

--Labor market information and research;

--Evaluation of local program performance, with related administration of the performance incentive grants;

--Implementation and operation of statewide management information and follow-up systems;

--Provision of technical assistance.

Experience thus far indicates that the 5 percent funds are sufficient to cover basic administrative costs as well as other activities authorized under Section 121 and 122 of the Act.

DISLOCATED WORKERS PROGRAM - TITLE III OF JTPA

Question: Title III of the Job Training Partnership Act authorizes a program of employment and training services for dislocated workers. The first appropriation for this program was $25 million in FY'83, contained in a continuing resolution. Another $85 million for FY'83 was appropriated as part of the emergency jobs legislation. The FY'84 annual funding level is $223 million. Of the total appropriated, the Secretary may reserve 25 percent for discretionary and emergency use. How were the two appropriations for the Dislocated Workers program in FY'83 spent? Did States come up with their required matching amounts? Do you have any data on the people served and the services provided? Were funds spent primarily for training, or were relocation and job search assistance also provided? What were the unit-costs of these services?

Answer: The two appropriations in FY 1983 for dislocated workers were in effect combined into a single pot. Of the total amount 75 percent was allocated to States using the statutory formula. The other 25 percent was distributed on a discretionary basis.

The States were only required to match the 75 percent share of the initial appropriation of $25,000,000. The $85 million appropriated for this activity in March 1983 was specifically exempted from matching requirements. While the Department does not require reporting on the match, the requirement for the initial appropriation appears to have been met with no difficulty.

Data are not reported by specific activity. However, combined 1983 and 1984 formula grants from inception of the program in 1983 to December 31, 1983, with total expenditures of nearly $15 million show that 73 percent of these expenditures were spent on training programs for 21,411 participants.

Sufficient data is not available at this time to provide actual unit costs. The President's Budget for 1985 estimates the unit cost to be $7,200.

Question: What are your estimates of the need for this program?

Answer: The definition of dislocated worker in JTPA is broad and leaves States great flexibility in defining and serving this group. There are therefore varying estimates of numbers of dislocated workers, depending on the definition used. We have undertaken an analysis of the characteristics and dimensions of dislocation. The initial results are expected in late 1984.

Question: How many dislocated workers are there who could benefit from this program?

Answer: Estimates of the universe of need vary considerably, depending upon the assumptions of the analysis. In July of 1982, the Congressional Budget Office published a background paper that addressed this issue. Depending upon the definition of "Dislocated Worker" used, the range was from 100,000 to 2.1 million displaced workers in the economy as of January 1983.

Estimates at the low range was multiple criteria-- more than 10 years' job tenure in a declining industry, age of 45 years or older, unemployed for more than 26 weeks, residence in a declining geographic area, etc. The eligibility criteria for Title III of JTPA are quite broad, however, so that the number of workers that would be eligible to participate in the program would be at the high end of the range of estimates.

The Department has also financed a special addendum to the Current Population Survey to provide more information on the numbers of dislocated workers and their characteristics.

Question: Is the problem of dislocated workers a temporary one, related to the recent recession, or is there a long-term need for this and similar programs?

Answer: It appears that the problem of dislocated workers will continue beyond the temporary recession-caused unemployment. As a result of the continually changing economy, as new products are introduced and old ones fall out of favor, or competive situations are altered some workers find they are unable to return to their jobs or find new ones requiring their skills where they live.

DISLOCATED WORKERS PROGRAMS

Question: What are the Department's plans for spending the 25 percent set-aside funds?

Answer: The Department issued information to all States regarding the procedures for applying for Title III discretionary funds. All of the $27,500,000 available for Fiscal Year (FY) 1983 has been obligated. Approximately 20 percent of the $23,562,500 available for the 9-month period beginning October 1, 1983, has also been obligated.

Attached are lists of the Title III discretionary projects that were funded from the FY 1983 Title III appropriation, and the projects funded to date using monies for the 9-month period.

TITLE III DISCRETIONARY PROJECTS

	State	Location	Amount	Number of Participants
A.	Fiscal Year 1983 Funds - Total Available - $27,500,000			
1.	Alabama	Sheffield (UAW-FORD)	875,000	650
2.	Arkansas	Little Rock, Stephens and Mountain Home	300,000	900
3.	California	Long Beach	200,000	40
4.	California	Sonoma County	209,965	91
5.	California	L. A. County (UAW-GM)	250,000	125
6.	California	Merced County	500,000	210
7.	California	San Diego County	400,000	150
8.	California	Santa Clara/Alameda (UAW-FORD)	1,000,000	555
9.	District of Columbia	District of Columbia	600,000	900
10.	Florida	South Florida Cons.	500,000	130
11.	Georgia	Social Circle/ Kings Bay	300,000	350
12.	Illinois	Joliet, Decatur, Peoria Rockford, Canton, East St. Louis and Chicago	1,000,000	1,000
13.	Indiana	Muncie, Terre Haute	2,000,000	800
14.	Iowa	Cedar Rapids	300,000	200
15.	Kansas	Southwest Kansas	455,996	300
16.	Kentucky	S.E. Kentucky	124,000	30
17.	Kentucky	Barren River	244,328	250
18.	Kentucky		231,672	
19.	Louisiana	New Orleans/ Baton Rouge	300,000	120
20.	Maine	Statewide	69,300	635
21.	Maryland	Allegany County	121,700	2,000

	State	Location	Amount	Number of Participants
22.	Maryland	Baltimore	318,817	1,000
23.	Maryland	Baltimore	134,413	180
24.	Maryland		25,070	
25.	Masachusetts		300,000	
26.	Michigan	Statewide	1,000,000	600
27.	Minnesota	Northeastern Minnesota	600,000	1,519
28.	Mississippi	Tennessee Tombigbee Waterway Area	500,000	805
29.	Missouri	Claycomo	500,000	400
30.	Montana	Montana, Utah, Nevada, Arizona, Colorado, Wyoming, New Mexico, and Idaho	818,600	800
31.	New Jersey		500,000	
32.	New York	Buffalo	200,000	5,600
33.	New York	Buffalo	81,000	180
34.	North Carolina	Alleghany and Wataugh Counties	300,000	486
35.	Ohio	Cleveland	1,000,000	700
36.	Oregon	Lane, Clackamas, Linn and Benton Counties	600,000	310
37.	Pennsylvania	Greater Johnston	500,000	5,000
38.	Pennsylvania	Lehigh Valley	500,000	425
39.	Rhode Island	Quonset Point	600,000	220
40.	South Carolina	Chesterfield-Marlboro Area	300,000	300
41.	Tennessee	Chattanooga, Knoxville, Nashville, Memphis	998,389	680
42.	Texas	Houston/Harris Counties	300,000	600
43.	Virginia	Alleghany Highlands	497,500	100

	State	Location	Amount	Number of Participants
44.	Washington	Yakima	600,000	278
45.	West Virginia	Statewide	600,000	385
46.	Wisconsin	Superior	600,000	150

Trade Act Funding

1.	Alabama	$ 500,000
2.	California	3,000,000
3.	New York	919,000
4.	Ohio	723,000

B. Fiscal Year 1984 (9 Month) Funds - Total Available - $23,562,500

	State	Location	Amount	Number of Participants
1.	Alabama	13 Counties - North Alabama	$ 900,000	4,800
2.	California	Los Angeles City	265,000	55
3.	California	Los Angeles County	140,000	60
4.	Illinois	Canton/Fulton County	165,000	600
5.	Michigan	Lansing	600,000	2,250
6.	Mississippi	Hinds, Madison, Rankin Counties	175,000	200
7.	Montana	Butte-Silver Bow	85,434	34
8.	Ohio	Cleveland	500,000	500
9.	Ohio	Youngstown	500,000	500
10.	Pennsylvania	Beaver County	79,319	720
11.	Pennsylvania	Lehigh Valley	459,179	225
12.	Virginia	Southwest Virginia	309,870	120
13.	Wisconsin	Marinette County	86,314	56

COORDINATION OF JOB TRAINING AND RELATED PROGRAMS

Question: The Job Training Partnership Act amends the legislation authorizing the Work Incentive (WIN) program and Employment Service, to coordinate these activities more closely with the new job training program. Have the JTPA amendments resulted in more coordination among job training programs, the Work Incentive program and the Employment Service than existed under the Comprehensive Employment and Training Act?

Answer: The JTPA amendments have specific requirements for coordination among various programs, specifically that both Employment Service and job training plans be developed through the same planning structures at State and local levels, and that both address the same set of statewide goals and objectives and coordination criteria set by the Governor. Since the amendments were effective only last October, it is too early to make any judgements. The Employment and Training Administration is undertaking, through a process evaluation and other data gathering efforts, a review of the impact of these requirements and will be able to specifically address this issue later. Currently, proposals are being reviewed and 18 month contract to conduct this evaluation will be awarded.

Question: What barriers still exist to coordination among these programs?

Answer: We are not aware of any existing barriers to program coordination.

Question: In terms of job training for welfare recipients, do JTPA and the WIN program overlap?

Answer: JTPA authorizes a full range of training and employment services and WIN is highly duplicative of it. The key distinction in service mix is that JTPA emphasizes training in skills that will enable participants to gain placement in regular employment, while WIN does less skill training and focuses its resources heavily on job ready AFDC recipients and applicants through job search assistance and related activities.

Question: Have the new amendments, which give Private Industry Councils a greater role in WIN, eliminated any of this duplication?

Answer: JTPA abolished the Labor Market Advisory Councils for WIN and transferred the Councils' function to the JTPA Private Industry Councils. Since the JTPA provisions became effective on October 1, 1983, the Department has not, at this time, assessed the impact of these transfers upon program planning and operations and, therefore, cannot address specifically whether any duplication has been eliminated.

Question: What practical effect, if any, has resulted from the JTPA amendments requiring Private Industry Council involvement in Employment Service planning?

Answer: The practical effect of joint planning at the local level between the Employment Service and the Private Industry Council (PIC) and Chief Elected Offical (CEO) for each Service Delivery Area (SDA) has not as yet been assessed since the amendments were only effective last October. As indicated, the Employment and Training Administration is currently undertaking an 18 month process evaluation to assess the kind and extent of changes occurring within the State employment service as a result of the JTPA Title V amendments to the Wagner-Peyser Act. The study will be a two-phase project; the first phase looking at FY 1983 and the nine month transition period between October, 1983 and June, 1984, and the second phase looking at the first Program Year commencing July, 1984. This will permit ETA to compare these periods and assess the impact of the amendments.

Question: Has the Department reviewed all the Governors' Coordination and Special Services Plans?

Answer: Section 121 of JTPA requires States to submit to the Secretary a Governors' Coordination and Special Services Plan (GCSSP) covering 2 program years. GCSSPs are to describe the use of all resources provided to the State and its SDAs. Initial GCSSPs, covering the 21-month period from October 1, 1983 through June 30, 1985, were submitted in July of 1983.

ETA reviewed all GCSSPs. Our review showed that all States have established policies and procedures that should increase the effectiveness of statewide job training and placement programs and integrate relevant service delivery systems. States have established criteria for coordinating activities under JTPA, which is one of the major areas emphasized in the GCSSPs.

Criteria for coordinating activities--Each State has established criteria in the following areas to develop and strengthen the coordination and partnership among public and private agencies involved in job training:

--Statement of Goals and Objectives

--Inventory of Resources

--Reciprocal Planning

--Service Delivery Coordination

--Plan Review

--Staff Training

On February 2, 1984, ETA issued revised GCSSP instructions. New GCSSPs, covering the 2-year period from July 1, 1984, through June 30, 1986, are due to the Department no later than May 15, 1984. GCSSPs will now cover the same period as local job training plans.

Question: How effective are these plans at coordinating services within a State and reducing duplication and overlap?

Answer: ETA's review of GCSSPs indicates that these plans should prove effective in coordinating services within the State and in reducing duplication and overlap.

IMPACT OF WAGNER-PEYSER AMENDMENTS ON EMPLOYMENT SERVICE

Question: The Wagner-Peyser Act was amended in October 1982, in an effort to focus Employment Service (ES) resources more specifically on labor exchange activities. Under the new amendments, ES functions not directly related to the basic labor exchange function must be paid for by an outside agency. Further, the amendments authorized a needs-based funding formula for allocating ES resources to States; previously, ES resources were allocated according to performance criteria. Have the new Wagner-Peyser Act amendments resulted in a net increase in the amount of funds and number of ES personnel available for actual labor exchange activities?

Answer: Allotments to States for labor exhange activities as authorized in Section 7(a) of the Wagner-Peyser amendments were $530,995,000 for the nine month transition period leading to Program Year 1984 and $740,398,000 for PY 1984. This comparable activity was funded for $654,414,000 in FY 1983, the base year preceeding implementation of Wagner-Peyser amendments. It is expected that these levels will maintain, nationwide, operations at the same level of effort as in FY 1983 by providing for increased costs. The formula application, however, may give more to some States and less to other.

Question: What extraneous activities that the Employment Service used to perform are no longer being done by ES personnel?

Answer: In addition to State allotments for a labor exchange, the Employment and Training Administration (ETA) also funds States for activities authorized under Section 7(c). While the States have full discretion as to who shall conduct these non-labor exchange activities, the States have designated the employment service as the deliverer of these services. These activities are certification of aliens for employment; housing inspections for interstate agricultural recruitment; State and local labor market information; certification of applicants for the Targeted Jobs Tax Credit program and a few other activities by one or a small group of States to provide services in support of the labor exchange activities. In FY 1983 some of this activity was subsumed in the ES base allotment but in FY 1984, ETA is funding 7(c) activities in the amount of $47.9 million. In FY 1985, we propose to fund 7(c) activities in the amount of $48.6 million.

Question: Are State and local agencies reimbursing the Employment Service for those non-labor exchange activities still being performed by the Employment Service? How much money does this represent?

Answer: In FY 1984, the Employment and Training Administration is funding 7(c) activities in States for $47.9 million. These funds have been allotted in grant agreements with the States. The States have designated an appropriate deliverer for these services, mostly the public employment service agency. In FY 1985, we propose to fund 7(c) activities in the amount of $48.6 million and expect these funds to be used by States to reimburse the employment service. We do not require nor maintain information with regard to State or local initiative for non-labor exchange activities.

Question: Has the needs-based funding formula, which allocates resources to States according to the size of their workforce and their rate of unemployment, had any impact on the type of clientele being served? Now that States are no longer being rewarded for job placements, are they tending to serve the more hard-core disadvantaged, who are harder to place quickly in jobs?

Answer: It is too early for us to make this comparison as a significant number of State reports have not yet been received.

Question: What criteria are used for allocating the 3 percent of Employment Service funds reserved by the Secretary of Labor?

Answer: There was a two-step process used for Program Year 1984 and the nine month transition period preceding the new program year.

First, the States whose relative share of resources decreased as a result of formula allocation and had a civilian labor force below one million and were below the median CLF density, were held harmless at 100 percent of their prior year relative share.

Second, the balance of the 3 percent reserve was distributed to States losing in relative share from prior year.

The methodology for distributing these funds in FY 1985 has not been established. As in the past, the Secretary will solicit comment from Governors and other interested parties on the proposed method.

Question: Has the public image of the Employment Service, particularly its image with the private sector, changed in recent years?

Answer: The image of the Employment Service (ES) has probably remained the same in recent years. The number of job orders that employers give the ES tends do go up and down consistant with economic conditions in the U.S. We have no recent formal study on the ES image with employers.

Question: How can private employers be encouraged to make greater use of the Employment Service?

Answer: Private employers will make greater use of the Employment Service (ES) with improved performance in the timely referral of qualified applicants. Two major developments now underway could help achieve such enhanced productivity. Efforts are being made to expand employer awareness and utilization of the National Job Bank System (NJBS). NJBS automation and other improvements in the past year have increased the ability of ES to recruit qualified workers in one State for hard-to-fill jobs in other States. Also, USES is in the final stage of development of a new occupational testing methodology which will, for the first time, enable the use of aptitude tests to validly identify productive workers for every job in the U.S. economy. Pilot projects on this new methodology in North Carolina have demonstrated expanded job orders and placements as a result of the availability of the new methodology to screen applicants with tests for all jobs.

Question: What is the Department's position on requiring private employers to list all job openings with the Employment Service?

Answer: Private employers who have Government contracts of $10,000 or more are required, by law, to list their job openings with the Employment Service (ES). The Department has no plans to require private employers to list all job openings with the ES since experience to-date indicates that such a requirement would be counter productive.

Question: To what extent has the Employment Service used the media to promote hiring, through such techniques as "Jobathons," etc? Last year at these hearings, former Assistant Secretary Angrisani said he'd have details in a few months about how the Employment Service and the Private Industry Councils can use the media to encourage both employers and job-seekers to use their services. What can you tell us about this?

Answer: The Job Training Partnership Act amendments to the Wagner-Peyser Act have changed the Federal and State roles with respect to the administration and management of the Employment Service (ES). Those changes are the basis for the fact that we do not have specific information on media efforts by the ES. At the Federal level, we no longer advise States how to use the media, and States no longer have to report what they do with the media. However, to assure that States are aware that they can choose to devote resources to promoting the ES through use of the media, we purposely included in the revised ES regulations the authority for States to incur costs for promotional and informational media activities.

JOB BANK

Question: The Job Training Partnership Act authorizes the Secretary to maintain a nationwide computerized job bank and matching program. What is the status of this job bank program?

Answer: Some form of job bank exists in every State. Currently, 45 States use computerized capability to participate in the Interstate Job Bank, but not all have complete local and statewide automation for their job banks. Most major metropolitan areas maintain a daily automated job bank.

Job Banks generally are not compatible and coordinated between States because each State has discretion in determining the amount of resource to be applied to job banks as well as in determining the job bank structure and scope of use. However, all States are required to follow relatively standard procedures for participating in the Interstate Job Bank (IJB) through a central technical facility located in Albany, New York. The IJB enables employers to use ES to recruit qualified workers nationwide for hard-to-fill job vacancies in a particular State.

Efforts are being made to expand employers awareness and utilization of the National Job Bank System (NJBS). NJBS automation and other improvements in the past year have increased the ability of ES to recruit qualified workers in one State for hard-to-fill jobs in other States.

Question: Do all States now have computerized job banks?

Answer: Currently, 45 States use computerized capability to participate in the Interstate Job Bank, but not all have complete local and statewide automation for their job banks. Most major metropolitan areas maintain a daily automated job bank.

Question: If not, why not?

Answer: Since job bank is not a required system, a State Employment Security Agencies (SESA) can make a decision not to implement one, or to implement job bank only in selected areas of a State. Possible reasons for not implementing or fully implementing a job bank would include the level of automation capability in a SESA and the alternate priority uses of the capability; and the costs associated with job bank data input, central control and data distribution.

Question: How timely is the information contained in this system?

Answer: On a weekly basis, States select job orders not filled at the local and State levels and transmit computer tape listings to a computer facility in Albany, New York, via air package delivery. A master list is created on magnetic computer tape or microfiche, arranged by State, job classification and title, with salary and location information, and mailed each Friday to about 2,300 local Job Service offices in all States. Potentially, job orders are available nationwide within 7 days of the employer's submittal.

Question: How have you responded to the General Accounting Office's recent report, which found problems in the Employment Service's labor market information system affecting their timeliness and accuracy?

Answer: The issue of the GAO report was with the cooperative statistical program which for many years were jointly funded and administered by the Employment and Training Administration (ETA) and Bureau of Labor Statistics (BLS). To increase the timeliness and accuracy of the data gathered by these programs, the Department centralized the funding and administation of the programs with one agency-BLS. This action assures a more responsive turnaround for the collection of data as well as correcting problems when they arise.

Question: Is additional funding necessary to automate completely the Employment Service labor market information system? If so, how much?

Answer: The Employment and Training Administration has provided each State with sufficient resources to carry out a labor market information system, including any automation which might be required. Because the system is now operated on a decentralized basis, each State is responsible for determining how much automation is needed and for taking the steps necessary to implement such automation. No additional resources are necessary in order to automate the labor market information system in the various States.

WORK INCENTIVE PROGRAM

Question: The 1981 Reconciliation Act authorized States to design demonstration programs as alternatives to the regular Work Incentive (WIN) Program. A total of 18 States have opted to administer a WIN demonstration. What is the current status of the WIN demonstrations?

Answer: As of March 1, 1984, twenty States have elected to operate a Work Incentive (WIN) Demonstration program.

Question: Have any been evaluated yet?

Answer: The Social Security Administration, which administers the WIN Demonstration program at the Federal level, is conducting an evaluation of the WIN Demonstration programs in the seventeen States that completed one year of operation at the end of FY 1983. A report presenting the findings of the evaluation is being prepared and will be completed this Spring.

Question: Will the results of these demonstrations be applied to any legislative proposals the Administration submits regarding work and welfare programs?

Answer: At this stage, it is too early to assess the applicability of the results of the demonstrations for the development of

legislative proposals regarding work and welfare programs. However, the Administration intends to review the findings of the evaluation carefully.

Question: What percent of those people who are required to register with WIN actually receive services?

Answer: In FY 1983, for the 36 regular WIN States, 76 percent of those required to register with WIN (as a condition of eligibility for AFDC benefits) received services from employment or social service staff. These services range from appraisals, employment planning, job clubs, job search, child care etc.

Question: Since limited funding allows only a portion of those eligible to be served, how is it determined who is referred for training or employment?

Answer: Those referred for training or employment are selected based on the criteria specified in the legislation, Section 433(a), as cited in the response to the next question. States implement these criteria in many different ways. Most refer to training those whose skills need improvement before they can be employable, and refer to job search and employment those who are ready for private sector employment. In addition, some States concentrate on those with the greatest need for services on the theory they would least be able to make the transition to work without the program. Other States choose to concentrate on those with needs for the fewest services to maximize the numbers of persons they can serve and place in employment.

Question: What priorities are used?

Answer: Sec. 433(a) of the Act gives the priority for services taking into account employability potential: (1) unemployed parents who are principal earners; (2) mothers who volunteer; (3) other mandatory mothers; (4) out of school youth, aged 16 plus.

As a matter of current practice for both Demo and Regular WIN Program, most States run a majority of registrants into Job search assistance, and provide follow-up assistance.

Question: How does WIN differ from training for the economically disadvantaged under the Job Training Partnership Act?

Answer: The Talmadge Amendments to the WIN program refocused the program from a training program with little or no emphasis on employment to one with primary attention on employability and placement. These Amendments require employable Aid to Families with Dependent Children (AFDC) recipients to register with WIN as a condition of eligibility for the welfare grant. This change in the WIN legislation required staff intensive placement services to clients, rather than purchase of training. In 1980, further Amendments to the WIN legislation required more employment related

social services to WIN applicants in an effort to move them into unsubsidized employment before they become welfare recipients.

In 1983, of the $161.6 million of WIN funding (inclusive of the States 10% matching funds) for the nondemo WIN States, only $6.9 million or 3.8 percent of the available money was spent on institutional training with a lesser amount being spent in each of the areas - OJT and PSE. The bulk of the WIN dollars goes to support 5,000 State staff who register and assist WIN clients in obtaining employment.

DISTRIBUTION OF FUNDS TO NATIONAL AND STATE SPONSORS

Question: A recurring issue in the appropriations process for the Title V program over the past several years has been the distribution of funds between national sponsoring agencies and State sponsoring programs. (The Older Americans Act requires that national organizations receive a "hold harmless" amount equal to their 1978 funding level, plus 45 percent of funds appropriated in excess of the 1978 level. The remainder of the excess above the 1978 level of appropriations is to be allocated to State agencies on aging. Recent appropriations language has instructed the Department as to proportionate share to be awarded to national and State sponsoring agencies, currently 78 percent of appropriations to national organizations and 22 percent to State agencies.) If the Older Americans act formula were used in the allocating of FY 1984 funds, what would be the amount of funds to national organizations and to States? Would State agencies receive more or less money than under the current distribution? Provide the funding distribution for State agencies and national organizations under the Older American Act formula as compared to the current distribution on a State by State basis.

Answer: If the Department were to use the methodology employed prior to the 78/22 percent requirement of the Appropriation Bills the following allocations would result at a level of $317.3M with a unit cost of $5,111:

	Prior Methodology	Division For Appropriations Bills 78/22%	Difference in Dollars
State Sponsors	$75,600,000 (23.8%)	$69,800,000 (22%)	-5.8 million
National Sponsors	$241,700,000 (76.2%)	$247,500,000 (78%)	+5.8 million
Total	$317,300,000	$317,300,000	-0-

UNIT COST IN ELDERLY JOBS PROGRAM

Question: Your budget assumes you can provide the same number of jobs for older Americans in Fiscal 1985 as in Fiscal 1984, with no increase in the appropriation. In fact, you estimate the Fiscal 1984 unit cost of $5,111 will not increase throughout Fiscal Years 1984 and 1985. What specific steps have been taken to control unit costs in the Community Service Employment Program?

Answer: For the past three years the Federal share of the unit cost has been limited to $5,111. During this period the minimum wage has not increased, consequently an increase in the unit cost would result only from an increase in enrollee benefits, such as F.I.C.A., other enrollee cost or administrative cost. Through negotiation the Department has encouraged sponsors to keep their administrative costs low and by better use of non-Federal resources maintain the level of other enrollee costs, which consists of such things as medical exams, training and similar items, at a minimum.

Although specific steps have not been taken to contain the SCSEP unit cost, the Department's efforts to limit the sponsors administrative cost and to improve the quality of non Federal contributions has enabled sponsors to meet all costs within the estimate and to maintain authorized slot levels. We will continue to encourage sponsors to reduce administrative costs and seek better local contributions.

Question: Are States required to pay just the $3.35 minimum wage, or can local projects pay higher wages?

Answer: Sponsors may pay wages in excess of the minimum wage. In accord with the Regulations, project sponsors must pay enrollees wages at a rate no less than the highest of the following:

a) The minimum wage under Section 6 (a) (1) of the Fair Labor Standards Act of 1938;

b) The State or local minimum wage for that employment or the most nearly comparable employment covered under the State or local minimum wage law; or

c) The prevailing rate of pay for persons employed in similar occupation by the project sponsor, the subproject sponsor, or the host agency as appropriate.

In fact, the national average wage rate is about $3.44 an hour.

Question: Are local projects free to determine staff salaries, including cost-of-living raises?

Answer: Sponsors have necessary discretion in determining staff salaries subject, of course, to Department of Labor (DOL) approval. The title V program is operated by 8 national sponsoring agencies, (7 of which are non-profit organizations and the other is a Federal agency), and by State and territorial governments. Salaries at the State government level are determined by State Merit Pay Systems. When States elect to subcontract, salaries are negotiated by the two

entities. National sponsors have their own salary scale based on pay comparability studies and/or the policy of that organization.

Also, since staff salaries are categorized as an administrative charge, they are limited by the 15 percent ceiling on program administrative cost.

DIFFERENCE IN TITLE V APPROPRIATIONS LEVELS FOR 1983 AND 1984

Question: The appropriations level for the Elderly Jobs Program in Fiscal 1984--$317.3 million--is $2.15 million less than its appropriations level for Fiscal 1983--$319.45 million. What impact will the lower level for 1984 have on the program?

Answer: The impact will be the loss of 420 slots nationwide due to the decrease in funding of $2.15 million. The loss of 420 slots will not materially impact available program job opportunities, nor the number of people served. No program participants will lose their jobs because of the decrease in job slots. Normal turnover and attrition in the program will allow sponsors to manage the reduction without layoffs.

Question: If additional funds are not appropriated to bring the 1984 amount up to the 1983 level, how many Title V positions will be lost?

Answer: In FY 1983, $319.4 million was appropriated for the Title V Community Service Employment for Older Americans program. In FY 1984 the level appropriated was $317.4 million. If additional funds are not appropriated, 420 positions will be lost during program year 1984. This is a reduction of 0.7 percent. However, no program participants will lose their jobs because of this reduction in job slots. Normal turnover and attrition in the Title V program will allow sponsors to manage the reduction without layoffs. This reduction should not materially affect the number of persons participating in the program since the increased job placement rates will enable more people to participate as job slots become vacant due to increased transition to unsubsidized employment.

Question: How many older workers will be affected?

Answer: No present SCSEP older worker will lose a job. Attrition will allow sponsors to manage this reduction without layoffs.

Question: Will the Administration submit a supplemental request for 1984 to bring the level up to the 1983 level?

Answer: The Administration does not plan to submit a supplemental request to bring the program back to the 1983 level.

RE-ALLOCATION OF EMPLOYMENT SERVICE RESOURCES

Question: What has been the impact of the formula change required by the Job Training Partnership Act on re-distributing Employment Service resources between States?

Answer: There were increases as well as decreases in relative shares of resources among the States between Fiscal Year 1983 and the transition period leading to Program Year 1984. In the nine month transition from FY 1983 to PY 1985, 35 States lost in relative share of resources. Thirty of these States were held at 90 percent of their prior year relative share. The FY 1984 final allotments left 28 States with a loss in relative share of resources from the transition period. Twenty-three of these were held at 90 percent of prior share.

RE-ALLOCATION OF EMPLOYMENT SERVICE STAFF

Question: How many States will have to reduce Employment Service staff in Fiscal Year 1984 because of reduced funding?

Answer: Nationally funding for the Employment Service program was increased in FY 1984 to account for increased costs. No data are being gathered on State staffing levels.

RE-ALLOCATION OF EMPLOYMENT SERVICE RESOURCES

Question: Provide for the record a list of States losing funds, and projected staff reductions for each.

Answer: The Wagner-Peyser amendments contain a formula for distributing funds and limits loses to 10 percent of prior year relative share of funds through a 10 percent holdharmless provision. Since the first allotment in FY 1984 was for a nine month transition period leading into Program Year 1984, it is not meaningful to illustrate loses or gains by States in terms of dollars. Nor can staff reduction be provided since the Employment and Training Administration (ETA), commencing with the FY 1984 transition period, allocates dollars to the States in accord with the legislatively mandated formula. It is the State planning and program design that will ultimately determine staffing levels and ETA does not collect this type of information. On a national basis ETA expects that the resources available in the transition period and PY 1984 should be sufficient to operate the Employment Service at the FY 1983 capacity since the appropriation includes adjustment for normal cost increases.

Therefore, the list provided identifies States who have lost in the percent share of resources between; (a) FY 1983 and the transition period and, (b) the transition period and Program Year 1984.

States Losing Relative Share of Resources

FY 83 TP	TP - PY 84
Alabama	-
Alaska	Alaska
Arizona	Arizona
Arkansas	Arkansas
California	-
Colorado	Colorado
Connecticut	Connecticut
Delaware	-
District of Columbia	District of Columbia
Hawaii	Hawaii
Idaho	Idaho
Iowa	Iowa
Kansas	Kansas
Louisiana	-
Maine	Maine
Minnesota	Minnesota
Mississippi	Mississippi
Missouri	-
Montana	Montana
Nebraska	Nebraska
Nevada	Nevada
New Mexico	New Mexico
New York	New York
North Dakota	North Dakota
Oklahoma	Oklahoma
Oregon	Oregon
Pennsylvania	-
Rhode Island	Rhode Island
South Carolina	-
South Dakota	South Dakota
Texas	Texas
Utah	Utah
Vermont	Vermont
Washington	Washington
Wyoming	Wyoming

STATE EMPLOYMENT SERVICE STAFF

Question: In Fiscal 1982, State Employment Service staff was cut to 24,000, after having been at 30,000 for many years. How many Employment Service staff are currently funded for Fiscal 1984?

Answer: The original 1984 budget request was sufficient to finance 24,800 staffyears on a national basis. The new Wagner-Peyser amendments specify a formula for distribution of funds based on civilian labor force and unemployment. Since the use of these funds is now at the discretion of State and local planners, information on staffing levels is no longer available.

Question: What is the estimated Fiscal 1985 staffing level for State Employment Service offices?

Answer: We have no estimate of 1985 staffing levels because funds are distributed by a formula using economic factors, which in effect obviate the need to manage staff levels. Each State determines its staffing needs in response to the type of program services it plans.

Question: Why is it that your budget justification material no longer estimates the number of staff that will be funded in either Fiscal Year 1984 or 1985?

Answer: Prior to 1984 the budget was generated by the funding necessary to support a pre-conceived level of staffing nationally. The Wagner-Peyser amendments now specify the manner in which funds will be distributed. Staff is not a criterion used in the formula.

State and local planners now have absolute discretionary authority to plan the use of these funds to support the type and level of program needed by the State, within the limit of funds provided by the formula factors.

AUTOMATION OF STATE EMPLOYMENT OFFICES

Question: What is the status of your National Job Bank System?

Answer: Some form of job bank exists in every State. Currently, 45 States use computerized capability to participate in the Interstate Job Bank, but not all have complete local and statewide automation for their job banks. Most major metropolitan areas maintain a daily automated job bank.

Job Banks generally are not compatible and coordinated between States because each State has discretion in determining the amount of resource to be applied to job banks as well as in determining the job bank structure and scope of use. However, all States are required to follow relatively standard procedures for participating in the Interstate Job Bank (IJB) through a central technical facility located in Albany, New York. The IJB enables employers to use ES to recruit qualified workers nationwide for hard-to-fill job vacancies in a particular State.

Efforts are being made to expand employer awareness and utilization of the National Job Bank System (NJBS). NJBS automation and other improvements in the past year have increased the ability of ES to recruit qualified workers in one State for hard-to-fill jobs in other States.

Question: How much is budgeted for Fiscal 1985 work on a National Job Bank System?

Answer: The Fiscal Year 1985 request for the Interstate Job Bank is for $1.4 million. These funds are to be used to provide a labor exchange service to jobseekers and employers on an interstate basis. The activity involves compilation and distribution of a listing of hard-to-fill job openings from a central point to all service delivery areas in the Nation through local SESA offices. It is separate and distinct from SESA statewide and local job banks which are funded solely with State funds.

Question: What benefits and cost savings do you expect to result from a National Job Bank System?

Answer: The National Job Bank System (NJBS) provides employers and applicants with a low cost labor exchange service. NJBS also provides a necessary human resource mobilization capability essential for effective defense readiness. The NJBS provides a rational system for interstate exchange of labor services.

If there was no NJBS, each State would have to take independent action to communicate with each other State in attempts to recruit workers nationwide for hard-to-fill job vacancies in a particular State. It is estimated that the non-NJBS approach would cost $10-15 million annually as compared to the $1.3 million now being spent annually on NJBS.

EMPLOYMENT AND TRAINING STAFF FUNCTIONS TO BE ELIMINATED

Question: What National Office activities do you plan to eliminate in order to justify reducing Employment and Training Administration to 1,756 in Fiscal 1985?

Answer: Changes in three major programs lead to reduced staffing requirements in the national office; they are the Job Training Partnership Act, the Wagner-Peyser Amendments, and the Work Incentive program. Functions and activities to be eliminated or substantially reduced include the following:

- Planning guidance
- Policy development
- Program management
- Promulgation of regulations
- Nationally administered programs
- Data collection and analysis
- Allocation methodology
- Overhead and management

Question: For all the activities to be eliminated or curtailed, provide the specific rationale for discontinuance or reduction.

Answer: The passage of the Job Training Partnership Act (JTPA) and the Wagner-Peyser Amendments had a major impact on the Federal role in training and employment programs. The new programs expand significantly the role of the States in the administration and oversight of training and employment services; it also creates, at

the local level, a private/public partnership with considerable responsibility for monitoring and assessing the adequacy of programs.

The enactment and implementation of JTPA reduced detailed Federal requirements (e.g., regulations were cut by more than 75 percent) as the States assumed an expanded leadership role and administrative responsibilities in planning, guidance and policy development.

The Wagner-Peyser Amendments (passed as Title V of JTPA) altered the planning and administration of federally supported labor exchange activities. The amendments imposed a statutorily defined formula for allocating resources among the States, shifting away from a complex, administrative formula that required considerable data collection, analysis, and manipulation. The amendments revised the planning process to give the local service delivery areas a role in planning, with the State agency, the types of labor exchange services to be delivered, and expanding the within-State review of the State agency plans and consideration of alternatives to it. The legislation sets aside 10 percent of the State's allotment for use by the Governors in improving performance, meeting special needs, and testing different approaches. It creates a new authority for funding, through reimbursable agreements, those needed activities that are not basic labor exchange services.

Reductions in the Federal role generally, and reductions in the amounts of nationally administered research, special national programs and similar funds translate directly into reduced staff needs in the components responsible for those functions.

Legislative changes in 1981 authorized alternative approaches to the administration of the Work Incentive (WIN) program. One of these activities, the "WIN Demonstration," involves approximately 20 States and reduces substantially the ETA role in the program in those States.

Management initiatives have further reduced staffing needs. By removing unnecessary layers of management, through the more efficient use of support staff, through the consolidation of administrative functions, and through automation, overhead staffing requirements have been substantially reduced.

COMMUNITY SERVICE EMPLOYMENT PROGRAM

Question: The Department of Labor (DOL) is proposing to transfer that portion of community service employment funds currently administered by State agencies to the Department of Health and Human Services. Funds would be distributed to State agencies using the formula contained in Title III of the Older Americans Act. Why is the administration proposing two Federal agencies be involved in the distribution of slightly over $317 million?

Answer: The State grant portion of the program, about 22 percent of the total, would be shifted to HHS. This change will facilitate the operation of the State portion by reducing the number of agencies

States must deal with from two to one, thereby reducing duplicative processes. This will enable the States to plan their programs better, coordinate the different resources available for the elderly more effectively and develop better programs.

Question: Won't that make a relatively uncomplicated program more complicated?

Answer: We do not believe this change will make the program more complicated. On the contrary, State Agencies will deal with only one agency. In the past, they have had to deal with two agencies, both of which had different grant cycles, and overlapping instructions. By eliminating one Federal agency these organizations will have a reduced administrative burden and will need to deal with only one Federal agency. The administering agency at the State level should not change.

Question: Won't it be more difficult for States to coordinate Title V funds since under the proposed transfer two Federal agencies would be involved in the award of funds within the State?

Answer: We do not believe it will be more difficult for the States to coordinate Title V funds. The national sponsors and the State sponsors have already established patterns of coordination which can be continued under the new administrative approach. In addition, the administering agency at the State level should not change.

The two Federal agencies are capable of coordinating their efforts so as to enhance intra-State coordination.

Question: Since the age of eligibility for Title V participation is 55 years why is the administration proposing to allocate funds to State agencies on the basis of the formula contained in Tille III of the Older Americans Act which uses age 60 and over for the criteria for fund distribution?

Answer: Although the requested appropriation language now before the Committee references Title III of the Older Americans Act as the basis for distributing the transferred funds, the Administration would support the continued use of the Title V formula for distributing these funds.

Question: How will the transfer of community service employment funds to DHHS "facilitate the creation of additional community service opportunities" as stated in the budget justifications?

Answer: The transfer will enable State sponsors to better coordinate Senior Community Service Employment Program (SCSEP) activities with other services to the elderly community such as nutrition and recreation programs. In addition, the efficiencies created by better planning and improved coordination with other programs and activities serving the elderly could free up resources now devoted to overhead or support services and thus support more employment opportunities for eligible older workers.

Question: Won't the creation of more job slots be primarily dependent upon the amount of program funding?

Answer: While the amount of funding determines roughly the number of job slots which can be created, program efficiencies may often enable sponsors individually and collectively to support more enrollees than originally estimated. It is important to note that in terms of services to the target group, the number of job slots alone does not determine the number of people served. Turnover in the program and job placement are as important. Because DOL has increased its emphasis on placement into unsubsidized jobs, more people were served in the program year which ended in July 1983 even though the job slots had not been increased.

UNIT COSTS IN DISLOCATED WORKERS PROGRAM

Question: The Department of Labor budget justifications show the estimated unit-costs of training programs for dislocated workers to be higher than estimated unit-costs for training the disadvantaged. For Program Year 1985, the Department expects the Title II-A program for the disadvantaged will have unit-costs of $5,415 while the Title III program for dislocated workers will have unit-costs of $7,200. For Program Year 1984, the Department estimates unit-costs of $5,186 in Title II-A and $6,864 in Title III. Why are the estimated unit-costs higher in the Title III Training program for dislocated workers than in the Title II-A program for the disadvantaged?

Answer: Unit cost estimates for the Title III Dislocated Worker Program are based primarily on two sources: They are; (1) a study requested by Congress and presented by Alice Rivlin, Former Director, Congressional Budget Office (CBO) entitled "Dislocated Workers: Issues and Federal Options, July 1982", and (2) actual costs incurred by the Economic Readjustment Activity Program (ERAP) of the Downriver Community Conference (DCC) in Michigan.

The unit cost estimates for Title II-A programs are projected unit costs based on actual cost data from the CETA programs excluding the wage and allowance payments. The Dislocated Worker cost estimates were based on data from a specific Demonstration project with wage/allowance estimates from the Congressional Budget Office study. The program activity mix is different in each of the two titles which accounted for difference in the unit cost projections. However, although it is too early to tell with confidence, data received to date indicate that the Title III costs may be lower than originally anticipated.

Question: Is the difference in unit-costs between the Title III Dislocated Workers program and the Title II-A program for the disadvantaged due to different types of services being provided or difference in the duration of training for individuals?

Answer: The duration of training for individuals is not a consideration in determining unit costs, which are the costs of one participant for a full year.

The unit cost estimates for Title II-A programs are projected unit costs based on actual cost data from CETA programs excluding the wage

and allowance payments. The Dislocated Worker cost estimates were based on data from a specific Demonstration project with wage/allowance estimates from a Congressional Budget Office study. The program activity mix is different in each of the two titles which accounted for difference in the unit cost projections. However, although it is too early to tell with confidence, data received to date indicate that the Title III costs may be lower than originally anticipated.

JOB CORPS ENROLLMENT LEVEL

Question: Department of Labor budget documents show the Job Corps served a total of 60,000 participants in FY 1983 with an average enrollment level of 40,000 at an appropriation of $618 million. The appropriation dropped to $578 million in Program Year 1984, yet the number of total participants is projected to increase to 72,000 at an average enrollment level of 41,000. The administration expects to maintain the average enrollment of 41,000 in Program Year 1985 and increase the total number of participants to 80,000, by requesting an increase in appropriations to $600 million and instituting a series of cost-cutting measures designed to save $34 million. Why did the Job Corps serve fewer participants in FY 83 than in Program Year 1984, when appropriations were $40 million higher?

Answer: The number of individuals served by the Job Corps in any given year is controlled by two factors:

o The number of enrollment slots available under the program.

o The average length of time enrollees remain in a program slot before they complete training or quit, thus leaving a vacancy for a new enrollee.

The difference in the "total participants" figure for FY 1983 and the "total participants" projected for Program Year 1984 stems in part from the fact that, with the recent opening of the Miami Job Corps Center, the number of enrollment positions will be about 200 more in Program Year 1984 than in FY 1983. More significantly, however, the increase in total participants projected for Program Year 1984 arises from our expectation that the average length of stay will be somewhat lower during Program Year 1984 (8 months) than it was in FY 1983 (8.5 months). This expectation is premised on past experience that shows average length of stay declines as general economic conditions improve.

The difference in the appropriation levels for the two periods in question has no direct bearing on the difference in "total participants". The FY 1983 appropriation was $618 million. Of this, $32.4 million was provided under a FY 1983 supplemental. These funds were not spent in FY 1983 and are now programmed for use during the FY 1984 Transition Period (October 1983-June 1984). The FY 1984 Transition period funding was reduced by the Congress to reflect the availability of this $32.4 million. Thus, what appears to be a decrease in program funding from FY 1983 to FY 1984 was, in fact, a continuation of the same program operating level.

Question: Why are costs expected to increase so much in Program Year 1985 that it is necessary both to increase appropriations and institute cost-cutting measures in order to maintain the same average enrollment level?

Answer: The answer to this question requires an examination of the Job Corps "financial history" over the last several years along with an explanation of the basic principles that are followed within the Department of Labor to predict changes in Job Corps unit costs from year-to-year.

The standard unit cost that is used for Job Corps budgeting purposes is the "cost per corpsmember service year" (cost/CMSY). This term may be defined as the average Job Corps expenditure (actual or predicted) for providing the equivalent of one full year of program services to one individual. Since the typical Job Corps enrollee stays in the program for about 8 months, it is the case that the average enrollee receives only 0.667 (8 months/12 months) CMSY's under the program. To continue with this example, a full CMSY would be achieved by counting the 8 months of this individual's enrollment plus the first four months of enrollment achieved by his or her "replacement" at a Job Corps center.

In measuring cost/CMSY, all costs associated with the Job Corps program are counted--with one notable exception. The computations disregard the costs of construction and other physical improvements to Job Corps center facilities. This practice is necessary to neutralize the skewing effects caused by fluctuations in construction spending that occur from year-to-year. A good case in point is the sharp increase in construction spending that is scheduled to occur during the 1984 Transition Period and the 1984 Program Year. The sharp increase is needed to accomplish a number of one-time center relocations and to catch up on a modest backlog of facility repairs and improvements that were not addressed in the preceding years. After Program Year 1984, however, construction spending is scheduled to decline to a more typical level.

With the one exception mentioned above, all other program costs are accounted for when determining the cost/CMSY. These costs include those incurred for:

- Enrollee transportation;
- Enrollee pay and allowances;
- Outreach (recruiting), screening, and job placement services;
- Center operations;
- Center equipment, vehicles, and training materials;
- Architectural and engineering support services.
- Facility leases

In estimating the Job Corps cost/CMSY for the 1985 Program Year, it was necessary to take three factors into consideration: (1) the effects of inflation; (2) program design changes and initiatives, and

(3) management actions leading to higher efficiency and more economical spending.

As far as inflation is concerned, the Department of Labor has determined that the GNP deflator is the most suitable index for predicting nominal cost increases from year-to-year. This index was selected as the most appropriate given the composition of goods and services that are needed to operate the Job Corps and the manner in which they are procured by the Department of Labor. This same index of inflation is also used to adjust Job Corps costs to "constant dollars" when doing year-to-year cost comparisons.

In forming the Program Year 1985 cost/CMSY estimate, the Department first determined what this cost would be if inflation was the only influence. This was done as a simple mathematical computation adjusting the Program Year 1984 estimate of $14,648 by 4.75% to $15,343. The next steps involved computations to determine the further effects of program design changes and management actions to achieve more economical spending--including the residual effects of program changes and management actions initiated in previous years. The computations produced the results shown below:

	Cost/CMSY	Total Costs (Millions) for 40,544 CMSY's
FY 1984 Cost/CMSY adjusted for inflation.....	$15,343	$622.1
Residual effects of economies initiated earlier.....	- 142	- 5.8
Effects of economies initiated in PY 1985.....	- 839	- 34.0
Final PY 85 cost estimate.....	14,362	$582.3
FY 1985 Construction/Rehab.....		+ 17.7
Total PY 1985 Job Corps Costs.....		$600.0

With regard to the need for the budget authority being requested for FY 1985 ($600 million), it is indeed higher than the amount appropriated for FY 1984 ($577.5 million). The need for this increase can be explained in part by an examination of the history of Job Corps appropriations since FY 1983 and in part by an examination of the relationship between Job Corps costs and Job Corps appropriations over the last several years.

The FY 1983 appropriation for Job Corps was in the amount of $618 million. Of this, $32.4 million was provided under a FY 1983 supplemental which is now programmed for use during the FY 1984 Transition Period (October 1983-June 1984). In practical terms, the FY 1983 appropriation is thus reduced to its original level of $585.6 million. In making the appropriations for the FY 1984 Transition Period ($414.9 million) and the 1984 Program Year ($577.5 million) the $32.4 million carried in from FY 1983 was taken into account by the Congress and resulted in a dollar-for-dollar reduction to the amounts

the Congress would have otherwise appropriated. The net effect here is that "real" appropriation level for the three periods in question (FY 1983, FY 1984 Transition Period, and 1984 Program Year) is a constant $585.6 million per year. This illustrated in the table provided below (dollars in millions):

	FY 1983	1984 TP (9 mos.)	1984 PY
Appropriation	$618.0	$414.9	$577.5
Adjustment	-32.4	+ 24.3	+ 8.1
Actual Costs Financed	585.6	439.2*	585.6

*Annualizes to $585.6

After taking these adjustments for the costs financed by the 1983 supplemental into account, it is apparent that the increase in costs funded for PY 1985 is $14.4 million. Despite this increase, Job Corps activity will still remain constant in 1985 due to the interaction of prior year resources with the new obligational authority noted above. Because Job Corps costs were substantially below the appropriated levels in 1982 and 1983 a carryover of about $100 million in prior year's funds (including the $32.4 million supplemental) into the transition period was possible. Thus FY'84 costs are funded from a combination of sources--the FY 1984 appropriation and carryover from prior periods. The carryover resources are expected to be spent in their entirety by the end of PY 1984 (June 30, 1985). This would result in a situation where there will be no carryover funds available to help defray PY 1985 costs, thus requiring PY 1985 budget authority that exactly equals estimated PY 1985 costs. Consequently, the need to increase budget authority in PY 1985--even though costs will actually decline--stems from the fact that a portion of PY 1984 costs were defrayed by carryover funds from prior years.

TRADE ADJUSTMENT ASSISTANCE

Question: Given the extremely broad eligibility criteria in the title III dislocated workers program and lack of adequate funds to serve the entire eligible population, what assurances would there be that workers certified eligible under the Trade Act will receive assistance under title III?

Answer: The Secretary will, as necessary, use his 25% discretionary set-aside under Title III to assure that affected States have sufficient resources to deliver services to workers certified eligible under the Trade Act. No State matching is required for programs financed with these discretionary amounts. The discretionary total is more than twice the amount used in any previous year for such assistance to workers certified under the Trade Act.

ETA STAFFING

Question: What would it cost, over and above your budget request, to maintain 2,009 Employment and Training Administration staff (excluding WIN) in fiscal 1985?

Answer: In order to maintain 2,009 ETA staff during 1985 an additional $11.7 million is needed.

FARMWORKER STATE PLANNING ESTIMATES

Question: Under the State planning estimates published by the Department of Labor, for the Migrant and Seasonal Farmworker Programs, utilizing the 1980 Decennial Census data, a number of states experienced a dramatic decrease in farmworkers . Some States experienced more than a 80% drop in the number of its farmworkers (Connecticut lost 91%, Oregon 83%, and Florida and Hawaii 80%) and nationally the number of farmworkers in poverty dropped from 373,000 under the 1977 Social Security data to 47,749 under the 1980 Census. Didn't such a dramatic decrease alert the Department to the strong possibility of errors in either the Census' method of counting seasonal labor, or in the analysis of the data?

Answer: The figures included in the question are in error. The total number of farmworkers at the poverty level which formed the data base for the distribution of Title IV, Section 402 JTPA funds was 543,000. This figure was obtained fromm the Bureau of the Census from data gathered through the Decennial Census of the Population, 1980. Prior to that, the Department distributed funds for farmworker programs based on data obtained from the Social Security Administration (SSA) for Standard Industrial Codes (SIC) concerned with agriculture for the year 1977 which was the last year for which this information was available. This information identified 1,716,000 who earned $3,000 or less in industries related to agriculture. However, these persons were neither necessarily at the poverty level nor was agriculture their primary source of income because they may also have worked in other industries. Census data used by the Department are occupational and persons counted therein were employed in agriculture.

In regard to the States mentioned, there have been significant changes in the totals reported. However, the changes are not as great as those indicated in the correspondence. The actual drop in the percentages for Hawaii and Florida was 36% and 37% respectively and not 80%. For Oregon the drop was 45% not 83%; and for Connecticut 72% not 91%. In all of these cases, actual loss of funds was limited by a hold-harmless factor of 25% for each of the two program years for which funding levels have been announced. This hold-harmless provision is not required by law or by regulation, but was deliberately invoked by the Department to cushion the shock to the losing States. In addition to the change in data base, JTPA provisions which determine the level of resources for the Section 402 programs resulted in a reduction of $10,000,000 in the appropriation for JTPA, Section 402 programs. This was also a factor in the funding levels of many States.

FARMWORKER STATE PLANNING ESTIMATES

Question: Why did the Department choose not to re-examine the data analysis before it issued the Fiscal Year 1984 Planning Estimates?

Answer: The Census totals derive from a count of persons employed in agriculture, whereas Social Security Administration data are not limited to farmworkers. Therefore, a drop in the national totals and a shift in the totals among the States was anticipated.

Question: Why is the Department continuing to apply this 1980 Census based allocation formula, which is causing severe disruptions in services to eligible farmworkers, despite concerns that the Department's analysis of the census data contains several inaccuracies?

Answer: The Department was required by Section 162(a) of JTPA to use the 1980 Census or later data in distributing allotments to the disadvantaged. After reviewing all available data sources, the Department determined that the Decennial Census of the Population, 1980 is the best source for data on the poverty level population employed in agriculture both nationally and by State.

A case regarding this issue is currently under litigation and will be addressed in U.S. District Court. A decision is now pending.

TARGETED JOBS TAX CREDIT PROGRAM

Question: Provide for the record vouchers and certifications for each group eligible under the Targeted Jobs Tax Credit Program for each of Fiscal Years 1982, 1983 and estimates for Fiscal Year 1984 and 1985.

Answer: The number of vouchers and certifications by Target group are as follows:

Number of Vouchers for Fiscal Years 1982 and 1983 and Projections for Fiscal Years 1984 and 1985 by Target Group

(Number in Thousands)

	Actuals		Projected	
	FY 1982	FY 1983	FY 1984	FY 1985
Total	624.7	1,286.9	1,928.9	2,507.3
Youth	299.7	581.8	872.7	1,134.5
Summer Youth	.0	87.3	131.0	170.2
Veterans	43.4	80.8	121.2	157.6
Ex-Offenders	46.5	94.5	141.8	184.3
Handicapped	48.0	78.7	118.1	153.5
CETA	8.1	1.1	.0	.0
Gen. Assistance	54.7	65.2	97.8	127.1
Social Security Income	2.3	3.1	4.7	6.0
AFDC Recipients	121.9	294.4	441.6	574.1

Number of Certifications for Fiscal Years 1982 and 1983 and Projections for Fiscal Years 1984 and 1985 by Target Group (Numbers in Thousands)

	Actuals		Projected	
	FY 1982	FY 1983	FY 1984	FY 1985
Total	202.3	431.1	646.4	839.8
Youth	132.2	259.3	389.0	505.6
Summer Youth	.0	33.5	50.3	65.3
Veterans	13.3	24.1	36.2	47.0
Ex-Offenders	13.3	21.9	32.9	42.7
Handicapped	14.8	25.4	38.1	49.5
CETA	1.3	.4	.0	.0
Gen. Assistance	8.1	14.5	21.8	28.3
Social Security Income	.8	1.3	2.0	2.5
AFDC Recipients	18.5	50.7	76.1	98.9
COOP Education	48.1	8.3	5.0	5.0

NOTE: COOP Education not included in totals shown.

Question: How much of the $20 million available for Fiscal 1984 State administrative costs has already been spent?

Answer: The first quarter FY 1984 fiscal report shows that $5,400,864 was spent nationally on TJTC. The spending plan for the first quarter was for $4,771,403, so States are over plan by $629,461.

The Employment and Training Administration (ETA), is in the process of advising the States that it is appropriate for them to utilize funds allocated under Sections 7(a) and (b) of the Wagner-Peyser Act for TJTC activities since these services are an integral part of the basic labor exchange function. Given this option, ETA affirms that the current availability for TJTC is adequate to finance the program's needs.

Question: Provide a list of States expected to run out of money in Fiscal 1984, and expected date funds will be exhausted.

Answer: Preliminary first quarter FY 1984 fiscal reports show that 36 States exceeded their first quarter plan. One quarter is not sufficient to project end-of-year results and the variances among States were so great that an overall prediction would be impossible at this time.

The States that exceeded their first quarter plan are as follows: Connecticut, New Hampshire, Vermont, New York, Delaware, Washington, D. C. Pennsylvania, West Virginia, Alabama, Kentucky, North Carolina, South Carolina, Illinois, Indiana, Michigan, Minnesota, Wisconsin, Arkansas, New Mexico, Alaska, Iowa, Kansas, Missouri, Nebraska, Montana, North Dakota, South Dakota, Utah, Wyoming, Arizona,

California, Nevada, Oklahoma, Oregon, Washington and Puerto Rico. Exceeding the first quarter plan does not necessarily mean that these States will exceed their full year estimates.

States that fell short of their first quarter plan are as follows: Colorado, Florida, Georgia, Guam, Hawaii, Idaho, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Jersey, Ohio, Rhode Island, Tennessee, Texas, Virginia and Virgin Islands.

Regional office staff are conducting a mid-year review of program funding in April and May. This review will provide information to determine any reallocation of resources that may be indicated.

Question: How does the Fiscal 1984 actual workload compare to your original estimates contained in last year's Fiscal 1984 budget request.

Answer: Original estimates for FY 1984 of 330,000 certifications were based on preliminary FY 1982 totals and were under even the actual FY 1983 performance of 431,182. Increased interest under the 2-year extension was not foreseen and the program continues to build beyond the 1983 totals. First quarter FY 1984 compared with first quarter FY 1983 indicates an 81 percent increase, and if maintained, could project to 646,000 certifications in FY 1984.

The Employment and Training Administration (ETA), is in the process of advising the States that it is appropriate for them to utilize funds allocated under Sections 7(a) and (b) of the Wagner-Peyser Act for TJTC activities since these services are an integral part of the basic labor exchange function. Given this option, ETA affirms that the current availability for TJTC is adequate to finance the programs's needs.

STAFF CUTS

Question: What is the average length of service of employees likely to lose their jobs, and how much are they entitled to receive in severance pay?

Answer: Statistics will not be available until reduction-in-force actions are completed. However, eligible separated employees are entitled to receive one week's basic pay for each year of civilian service up to 10 years; and two weeks pay for each year beyond 10 years. For each year the employee's age exceeds 40, 10 percent is added to the total basic allowance. Total severance pay may not exceed one year's pay and the one year's pay (52 weeks) is a lifetime limit.

Question: How much will it cost the government for additional retirement costs if workers are granted early retirement?

Answer: The estimated additional cost of voluntary early retirements to the retirement fund is $5,072,340.

Question: How many workers will be downgraded as a result of this reduction in force?

Answer: ETA estimates the number of reassignments and downgrades which will be affected through the reduction-in-force as 450. Of this number, approximately 200 to 250 will be downgraded. The number that will be downgraded will depend largely on early out retirements, voluntary retirements and separations, placement of ETA employees into other DOL agencies, in other Federal agencies, and in the private sector.

Question: What evidence do you have that programs implemented through the Employment and Training Administration will not suffer as the result of your proposed Federal staffing cuts?

Answer: The Federal role under the Job Training Act has been significantly reduced while the role of the States has expanded for JTPA and Wagner-Peyser activities. Functions and activities to be eliminated or substantially reduced include the following:

- Planning guidance
- Policy development
- Program management
- Promulgation of regulations
- Nationally administered programs
- Data collection and analysis
- Allocation methodology
- Overhead and management

We are confident that the proposed staffing levels are commensurate with the anticipated agency's workloads under the new legislation.

NATIONAL LONGITUDINAL SURVEY

Question: The National Longitudinal Survey is a primary source of labor market information on various groups of individuals, such as female-headed families, minority workers, youth, and senior citizens. Why shouldn't this survey be included in the Bureau of Labor Statistics budget, rather than as part of the Training and Employment Services appropriation?

Answer: The National Longitudinal Survey (NLS) has been successfully funded and managed by the Employment and Training Administration (ETA) since its inception in 1966. It deals with issues of major importance to ETA policymakers. Although the Bureau of Labor Statistics could certainly administer this project, we see no reason to make any changes in the existing arrangements at this time.

Question: We understand this survey is currently funded at $3.9 million. How much do you plan to spend to continue it in Fiscal 1985?

Answer: Funding available for the NLS in Transition Period 1984 is $3.4 million, and NLS funding in Program Year 1984 is planned at $4.3 million. Our funding plan for Program Year 1985 (July 1985 - June 1986) calls for $2.05 million for the NLS. Although this represents a reduced funding level, funds for the NLS always have been obligated in the year prior to which they are spent. As a result, the current funding plan will provide sufficient resources to maintain NLS operations at a reduced but adequate level through June, 1986.

WAGE SURVEY

Question: Your budget indicates you plan to continue studing characteristics of recipients of the Federal Supplemental Compensation program as requested by this committee. Yet you are planning to discontinue the Continuous Wage and Benefit History survey, which provides the data for this study. Why are you discontinuing this survey?

Answer: The Continuous Wage and Benefit History (CWBH) program is being discontinued because of its limited usefulness to the U.S. Department of Labor (DOL) and because of substantial cost of the program at a time of limited resources.

The CWBH cannot be used to accomplish its original Federal purpose--the provision of reliable data to make policy and legislative decisions. The present CWBH is not representative of the United States as a whole. The States that now produce data are not representative of all 50 States. As a result they are not, nor will they be in the future, a reliable tool for national legislative and policy analysis. As a result DOL is funding this project at a current cost of $4.0 million and getting little in return.

In addition, the Department will be collecting a great deal of new data on unemployment insurance program recipients beginning in 1985 from the UI Quality Control program. The extensive and rich data base resulting from this new program is designed to have multiple uses, including policy and legislative development as well as quality control and program management.

Question: What data do you plan to use as a substitute?

Answer: The Department will be collecting a great deal of new data on unemployment insurance program recipients beginning in 1985 from the UI Quality Control program. The extensive and rich data base resulting from this program is designed to have multiple uses, including policy and legislative development as well as quality control and program management.

The Department can also conduct studies of UI exhaustees, when appropriate, using special surveys through contract research efforts, the Department will also continue to count the number of unemployment insurance program exhaustees of regular and extended benefits.

Question: How much would it cost to maintain the Continuous Wage and Benefit History survey, and improve its reliability to acceptable standards?

Answer: At least 22 States and possibly 25 would be needed to make the system nationally representative. Increasing the number of States to 22 would increase the costs from $4.0 million in Fiscal Year 1984 to $4.6 million in Fiscal Year 1985. A further increase to 25 would add approximately $1 million more to the Fiscal Year 1985 annual operating cost and raise the Fiscal Year 1986 cost to $6.3 million.

CONCENTRATED EMPLOYMENT PROGRAMS

Question: Appropriations bill language for program year 1984 forced you to absorb $10,000,000 in order to fund four rural Concentrated Employment programs. What activities were reduced in order to fund these rural Concentrated Employment Programs?

Answer: House Report No. 98-357 which contained the amendment providing these additional funds to the four rural Concentrated Employment Programs (CEPs) directed that $10 million requested for research and evaluation be used for this purpose.

Question: What would happen to these four projects if bill language earmarking funds were to be dropped in Fiscal 1985?

Answer: As designated Service Delivery Areas, the four CEPs receive Title IIA block grant and Title IIB summer funds through the sub-State allocations required by Sections 202 and 251 of JTPA. The language included in the FY 1984 appropriation provided supplemental funding beyond formula allocations for these selected four areas. If this language was dropped, the preferential treatment accorded these four areas would be discontinued.

Question: If you were once again required to divert $10,000,000 to fund Concentrated Employment programs, what would you cut?

Answer: If the Department was once again directed to provide the CEPs with $10 million of the total $108 million requested for national activities under the Federally Administered Program Activity, we would likely reduce the amount set aside for Pilots and Demonstrations. This is the only source of discretionary funding of sufficient size to accommodate a set-aside of this magnitude.

TRAINING ALLOWANCES

Question: When the Job Training Partnership Act stipulated that at least 70 percent of the State block grant funds had to be used for direct training services, there was some concern that

there would be insufficient funds for stipends to support enrollees during training. To what extent have low-income individuals been unable to participate in job training due to lack of money of support themselves during training?

Answer: The Department does not have, at this time, any verifiable evidence which indicates that lack of funds is inhibiting individuals from participating in JTPA programs. The Department recognizes that this is a valid concern and will continue to be alert to any evidence indicating that those individuals most in need of JTPA services are unable to participate due to lack of funds.

Question: To what extent has there been an increase in the percentage of compensation during training, such as welfare or unemployment benefits?

Answer: The Department does not have data on increases in these payments to participants in Job Training Partnership Act (JTPA) programs.

STATE EMPLOYMENT SERVICES

Question: Your Fiscal 1985 request for State Employment Service offices is $740,398,000 -- the same as the Fiscal 1984 appropriation. How do you expect States to avoid a cutback in staff and services without an increase to offset the impact of inflation?

Answer: The Wagner-Peyser Amendments enacted as part of the Job Training Partnership Act of 1982 provide a formula for the allocation of State employment service funds. The formula consists of two criteria: the relative number of individuals in the civilian labor force (CLF) in each State as compared to the total CLF in all of the States and the relative number of unemployed individuals in each State as compared to the total number of unemployed individuals in all of the States. The Amendments also provide a 90 percent hold-harmless provision, in that no State is to receive less than 90 percent of its relative share for the previous funding period.

The funding level in each State, therefore, is determined by the demographic factors for each State, as required by the Amendments. No provision exists to adjust individual State allocations for inflation impact.

The request of $740,398,000 for Program Year (PY) 1985, is equal to the amount available in PY 1984. Improved economic conditions and increased State flexibility provided by the 1982 Amendments to design and operate a program to meet their needs will permit the States to maintain the services and activities at the same level as in 1984.

Question: How much more do you expect State Employment Service Agencies will have to pay in Fiscal 1985 for such mandatory increases as higher salaries and rent?

Answer: With the enactment of the Wagner-Peyser Amendments of 1982, the Department stopped gathering information on pay raises and other administrative cost increases for employment service operations. To continue to gather such information in light of the allocation formula as well as our efforts to reduce unnecessary reporting requirements would be inconsistent with both the Administration's, as well as Congressional intent enbodied in the Amendments.

DISLOCATED WORKERS PROGRAM

Question: How are States spending their money under the new training program for dislocated workers?

Answer: Funds are being committed in a variety of ways. Several States retain the funds at the State level to address particular needs in specific communities or at particular plants, often through coordinated efforts with State Economic Development Agencies. A few distribute the funds by formula to local Service Delivery Areas (SDAs). The most common approach is a competitive request-for-proposal process, either limited to SDAs or expanded to include proposals from other entities as well. In some cases, a combination of these approaches is used.

Activities conducted include all of those authorized in the Act -- retraining in the classroom or on-the-job or in combination; vocational, career and personal counseling; relocation, including transportation and moving expenses; supportive services; and job search assistance, job seeking skills workshops, job clubs. Our experience is that the latter kinds of services are more prevalent than we originally anticipated, while long-term skill training is less common than we had thought it would be.

Question: Are States behind schedule in developing dislocated worker project?

Answer: We do not believe that States are behind schedule in developing projects. Performance in this program through December 31, 1983 exceeded expectations. Total participants on-board as of December 31 were 20,602. This represents 42 percent of the 48,700 estimated average enrollment level for the period beginning July 1, 1984. The total number of participants served to date in the Title III formula program is 28,272. The reported expenditures of $14,699,800 are 9.6 percent of the total formula funds made available for Fiscal Year 1983 and the 9-month operational period beginning October 1, 1983.

Question: Is it realistic to expect enrollments to jump from 19,700 in Fiscal 1983 to 48,700 in program year 1984, as stated in your budget justification?

Answer: The program was started in the latter part of Fiscal Year 1983. Thus, the number of participants served in that year was substantially less than is presently estimated for program year 1984 and 1985. The Department estimates that the program should be fully operating by July 1, 1984, the start of Program Year 1984.

Question: Is the Department of Labor funding any research or demonstrations to learn more about the unique employment problems of dislocated workers?

Answer: The Department has funded a number of studies on the dislocated worker problem and programs to address it, including:

1. A study to inventory current industry practices and provide a clearinghouse in plant closing situations. This project will also develop a number of case studies on specific plant closings. This study is ongoing and is being conducted by the National Center on Occupational Readjustment, Inc.

2. A study of the design and experiences in developing a series of dislocated worker demonstration projects, including the types of technical assistance required. This study, by Abt Associates, was recently completed.

3. An evaluation of dislocated worker projects in six demonstration sites focusing on the most effective types of services, the relative costs of various approaches, and outcomes in terms of employment, wages and job retention. This study by Mathematica Policy Research is ongoing.

4. An evaluation of the Downriver Community Conference Economic Readjustment Program, one of the earliest of the dislocated workers efforts. The final evaluation report on the Downriver project is being prepared by Abt Associates.

In addition to these studies specifically targeted on the dislocated workers problem, the evaluation of the JTPA implementation will focus on Title III which serves dislocated workers. Finally, plans are being developed to identify and evaluate several "Exemplary" programs that serve dislocated workers.

Question: Is the problem of dislocated workers a temporary one, related to the recent recession, or is there a long-term need for adjustment assistance like the new Job Training Partnership Act?

Answer: An economy as large and dynamic as ours is experiencing change at all times. Because of this, there are likely to be groups of workers whose regular employment is in jeopardy. Programs that assist workers in adopting their skills to changing demands may facilitate the overall responsiveness of the

economy to these constantly shifting circumstances. We need to recognize, however, that an experience with these initiatives is limited and, until we have gathered further data and perhaps test other private and public approaches, we cannot draw too many conclusions about the optimum size and shape of these efforts.

TRADE ADJUSTMENT ASSISTANCE

Question: How much of the $223 million requested for Dislocated Worker Assistance in Fiscal 1985 would be utilized for workers eligible for retraining under the Trade Act?

Answer: One-fourth of the $223 million requested for Dislocated Worker Assistance or $55.75 million is not distributed by formula to the States and is availabile to provide training, job search and relocation assistance to Trade Adjustment Assistance workers who lost their job because of increased imports. This is substantialy more than is currently used for this program. We currently estimate that $30 million of the $55.75 million will be used for Trade Adjustment Assistance eligible workers. However, we are prepared to set-aside as much of the $55.75 million as will be necessary to satisfy requests for such funding.

Question: Is the Administration planning to submit authorizing legislation to consolidate these two retraining programs?

Answer: The Trade Act Trade Adjustment Assistance Program was extended through September 30, 1985, under amendments to the International Coffee Agreement, Public Law 98-120. As you know, the Administration proposes to fund the training and employment services of the reauthorized program under JTPA Title III dislocated worker discretionary authority. We have no plans to submit a consolidation proposal.

Question: Why should we merge these two programs through the appropriations process, especially since Congress just reauthorized the Trade Act retraining program?

Answer: The financing of Trade Act training through funds requested for dislocated workers provides increased flexibility to meet the needs of workers adversely affected by foreign imports. Past experience highlights the difficulty of accurately estimating this program's funding needs. We presently estimate that $30 million will satisfy Trade training requirements. If more funds are needed, additional dislocated worker discretionary funds can be reserved. If less is required, the difference could be used for other projects addressing the needs of dislocated workers. Separately identified funding for these two similar programs removes this flexibility.

AUTHORIZING LANGUAGE IN ELDERLY JOBS PROGRAM

Question: You are requesting Bill language to transfer $69,806,000 from the Community Service Employment for Older Americans appropriation to the Department of Health and Human Services, where the funds could be used for purposes other than jobs for the elderly. Why should the Appropriations Committee agree to such authorizing language?

Answer: The transfer will enhance Older American Act activities through greater program efficiency and coordination. You will note that only that portion of the program which is administered by States is proposed for transfer to HHS/AOA. Since these agencies already have a substantial Older Americans Act grant, combining the Community Service Employment Program with the other Older American activities will result in a number of efficiencies: duplicate paperwork will be eliminated, audits will be simplified, fiscal reports will be combined and overlapping regulations will be eliminated. State agencies will deal with only one Federal agency, thereby avoiding confusing or overlapping instructions and reducing administrative requirements. Older American Act planning will also be enhanced. Further, the funds to be transferred to the HHS/AOA under this arrangement would not be used for other than activities authorized by Title V of the OAA.

Question: What is wrong with focusing your efforts on amending the Older Americans Act directly, which is up for renewal this year?

Answer: The proposed transfer will not involve any substantive change in program operations and, therefore, it will not directly impact the authorizing legislation. The Department felt that working with the Appropriations Committee would be the most expeditious way of transferring part of the appropriation, as intended, to HHS/AOA.

Question: Do we have your assurance that you will not attempt to administratively transfer these funds to HHS in the absence of specific authorizing language?

Answer: The Department does not intend to transfer the funds to HHS without the requested appropriation language.

JOB CORPS "SAVINGS"

Question: Given the extremely disadvantaged nature of the Job Corps population, and the importance of close supervision, what will be the impact of increasing class sizes and lowering the ratios of counselors and supervisors to enrollees?

Answer: We do not believe these changes will have a negative impact on the quality of training or services provided to corpsmembers. Job Corps originally began as an experimental program to try new approaches for dealing with disadvantaged youth. Over the years, staff to corpsmember ratios became established based on precedent, and they have not been reassessed in recent years.

Because of the unique nature of the Job Corps education programs, which are based on open entry, open exit programmed instruction, we feel that a 10% increase in instructors' class sizes will not harm the quality of instruction or training.

Counselors and dormitory supervisors deal with corpsmembers primarily during weekend and evening hours. We feel that increasing staff caseloads by 10% will not hamper their effectiveness.

We intend to monitor center performance and activities very closely when these changes are implemented, and if we perceive that there is any negative impact on corpsmembers, we will readjust the staff to corpsmember ratios as required.

Question: How much will each of these specific initiatives save?

Answer: We project that $14 million will be saved in Program Year 1985 by bringing the operating costs of civilian conservation centers down to a level competitive with the operating costs of contract centers. $10.5 million in savings is projected to be realized from lower center personnel costs as a result of increasing class sizes and counselor and dormitory supervisor caseloads. An additional $9.5 million savings is projected to accrue from a combination of increased competition for center and outreach, screening and placement contracts and the other initiatives mentioned.

FARMWORKER HOUSING

Question: Last year's Senate Report directed you to maintain Farmworker Housing activities authorized under the Job Training Partnership Act at no less than the prior year's level. After much discussion, we understand you now intend to fund existing projects with a 30 percent cut. Can you assure us that small grants will not be reduced to the point that projects cannot be effectively carried out?

Answer: With the amount of money available we funded the maximum number of grants that could effectively manage the program.

Question: If the Committee once again includes report language directing you to implement certain Farmworker Housing activities, will you abide by the language--or would you recommend specific Bill language to avoid further hassle?

Answer: The Department will, to the extent possible, respond to report language expressing Congressional intent and clarify its expectations. Report language does not relieve the Department of other responsibilities (e.g., those imposed by the Federal procurement system), nor does it have the legal effect of specific bill language. Therefore, consideration of specific bill language may be advisable.

Question: What are your plans for this Farmworker Housing program in fiscal 1985?

Answer: We propose to continue this migrant housing activity at the current funding level if the requested funding for Section 402 programs is appropriated by the Congress.

DISPLACED HOMEMAKERS

Question Why shouldn't we appropriate funds directly to the Woman's Bureau for the special projects they administer?

Answer: The Department strongly believes that all JTPA authorized programs be included in the Training and Employment Service account. This simplifies training program funding decisions and program management.

Question: What is the status of the Displaced Homemaker Network contract, including funding for the new program year which begins July 1, 1984?

Answer: ETA transferred $750,000 to the Women's Bureau in January of 1984 to support a variety of projects, including the Displaced Homemakers Network. Planning for additional funding to support the Women's Bureau's activities through Program Year 1984 has not been completed.

JOB TRAINING PILOT AND DEMONSTRATION PROJECTS

Question: What appropriation level will be necessary in Fiscal 1985 to continue all on-going pilot and demonstration projects?

Answer: Approximately $17.4 million would be needed in Program Year 1985 to continue recurring employment and training programs at their 1984 funding levels. Recurring programs or

projects include programs for the handicapped and for persons of limited English speaking ability, the Federal bonding program, partnership activities with labor, business and community based organizations and other Federally financial programs such as 70,001, Ltd.

IMPACT OF STAFF CUTS

Question: Will you cooperate fully and in a timely manner with GAO's inquiry?

Answer: Yes, ETA will cooperate fully with the GAO's inquiry.

Question: Why not postpone implementing these reductions until GAO completes its inquiry?

Answer: It is extremely important that ETA as an institution complete these actions and move aggressively toward accomplishing its assigned goals and objectives. Reorganizations and reductions-in-force are by their nature disruptive events. The awareness of the RIF has begun to create tension and morale problems for employees and to postpone these RIF actions will prolong work disruption and loss of productivity which could, over a period of time, jeopardize the agency's ability to successfully accomplish its mission.

WORK INCENTIVE PROGRAM

Question: Why do you persist in trying to administratively terminate the WIN Program, when Congress has rejected proposals to eliminate it over the last two years?

Answer: The States have sufficient programs and resources through other sources to meet the WIN Program goals of assisting welfare recipients into employment. Thus, the Administration is requesting no WIN grants to States for FY 1985 because it is expected that the States can provide WIN-type services with greater flexibility, more efficiency and at lesser cost through the Social Services block grants, the Job Training Partnership Act (which is required to provide equitable service to AFDC recipients in a service delivery area), the optional Community Work Experience Programs (CWEP) and the Job Search provisions for Title IV A agencies. States will continue to carry out work registration and other work-related activities for AFDC recipients, using these resources.

WORK INCENTIVE PROGRAM/STAFF CUTS

Question: Why put yourself in the position of firing the WIN staff in May, only to be forced by Congress to rehire them later in the year?

Answer: ETA intends to maintain WIN staff levels appropriate for the current mix of WIN demonstration and regular WIN programs to carry out ETA responsibilities until the last day of the fiscal year. By that time, Congress should have completed action on the 1985 appropriation bills. If the Congress concurs in the President's recommendation to discontinue separate WIN program funding, ETA's staff having WIN responsibilities would be reassigned to other functions effective the first day of FY 1985. If the Congress does not accept the President's recommendation, functional reassignments would not be necessary.

WIN INCENTIVE PROGRAM/STAFF CUTS

Question: How do you explain the fact that the Department of Health and Human Services (HHS) is not having to RIF any of its WIN staff (who administer demonstration projects and child care components) in advance of Congressional action on the fiscal 1985 budget?

Answer: In the implementation of the demonstration projects and child care component programs, HHS received added responsibilities. These 20 programs resulted in reduced ETA responsibilities.

I would like to emphasize once more that ETA is not planning to reduce WIN staffing levels in 1984 below the level required to carry out ETA responsibilities under the current mix of WIN demonstration and regular WIN programs. With 40 percent of the States (20 States) now operating WIN demonstration programs, ETA's oversight role is considerably reduced since HHS alone oversees these demonstration programs. During 1984, ETA will reduce WIN staffing from the current level of 67 to 51 equivalent staff years, which is the level we feel is appropriate for ETA workloads under the current mix of WIN demonstration and regular WIN programs. As I indicated earlier, we will maintain this level throughout 1984 and, effective the first day of 1985, assign other program responsibilities to these staff if Congress has concurred with the President's 1985 recommendations.

WORK INCENTIVE STAFF CUTS

Question: If Congress decides to keep funding WIN at its current level of $270 million, how many staff would you need to effectively administer this program?

Answer: The number of staff we would require should Congress decide to keep funding WIN will depend heavily on the number of States who will be operating WIN demonstration programs during 1985. Although 20 States are currently running WIN demonstration programs, under current law, additional States could apply to do so between now and the application ending date of June 30, 1984. To further complicate the situation, some of the current WIN demonstration

programs will end their three-year experimental period and will revert to the traditional WIN program part-year in 1985 unless future legislation extends the three-year period. If it becomes clear that Congress will not concur with the President's proposal, we would review the situation at that time, and revise our 1985 request if necessary to ensure appropriate WIN staffing to carry out our oversight responsibilities.

DECLINE IN JOB TRAINING ENROLLMENT LEVEL

Question: In last year's Fiscal Year 1984 budget, you projected an average enrollment level of 406,000 participants under the new Job Training Partnership Act block grant to States. Yet this year's budget projects an average enrollment level of only 363,700 participants in the 1984 program year, even through Congress appropriate the full $1.9 billion you requested. What has caused job training enrollments to fall below the level you originally expected?

Answer: The JTPA estimated costs are based on CETA costs adjusted to reflect differences in the two program designs and requirement. CETA reports received and analyzed during the intervening period between submittal of the Department's Fiscal Year 1984 and 1985 budget indicated that CETA costs were approximately 7.5 percent greater than had been previously estimated. Thus, the base used to construct the 1984 JTPA service year costs was increased resulting in higher estimates for 1984 program costs.

Question: Have higher unit costs of training resulted in higher placement rates of graduates in permanent jobs?

Answer: There is insufficient data and experience to reach any conclusions regarding actual placement experience. However, we fully expect that JTPA placement rates will be substantially greater than those reported under CETA.

Question: How much more would be required to fund an average of 406,000 enrollees in program year 1984?

Answer: The estimated cost per service year or average annual enrollment is $5,186. Thus, approximately $2.1 billion would be needed to support a 406,000 enrollment level.

Questions Submitted by Senator William Proxmire

REGULATIONS IMPLEMENTING JTPA

Question: Mr. O'Keefe, a report by the House Committee on Government Operations on "Implementation of the Job Training Partnership Act" pointed out that the regulations implementing the Act do not "provide for official positive credit in programs where youths in school remain in school." This report says that as a result "local program officials may skip on service to the most vulnerable youths in this group since they can accumulate credits for serving groups with more easily obtained and officially recognized positive outcomes." The Department responded that it is working on the problem. Where do you currently stand on this issue?

Answer: The Department issued guidance to the Governors on October 7, 1983, which included provisions for positive outcome credit to be given when youth attain employment competencies recognized by the Private Industry Council (PIC). In doing so, the Department has provided an opportunity for credit to be given for youth who remain in school, but are not within immediate reach of graduation. Accordingly, we do not consider that there should be a disincentive for serving such youth, so long as the PIC develops and recognizes competencies that such in-school youth may attain.

BUREAU OF APPRENTICESHIP AND TRAINING

Question: According to testimony presented by Robert Glover, Director of the Center for the Study of Human Resources at the University of Texas, more than half of the 738 occupations deemed apprenticeable by your Bureau have no more than 10 active apprenticeships in training nationwide. Is that the case?

Answer: Yes, that is the case. While the Department of Labor determines which occupations are apprenticeable, other factors control the number of apprentices in training. During the past few years economic conditions have contributed to a decrease in the number of registered apprentices and this has resulted in a lessening of the number of apprenticeable occupations with apprentices currently in training. Latest estimates indicate that there are now about 50,000 registered programs with 253,000 apprentices and as the economy improves it is expected that these numbers will increase and the number of apprenticeable occupations with apprentices in training will also increase.

It should also be noted that throughout the years the number of apprenticeable occupations has increased as technological advances have necessitated the training of skilled workers for an ever growing number of crafts and trades. Some of the older more traditional occupations no longer require the same high number of apprentices and some of the newer developing trades have not yet reached their peak needs.

Question: Mr. Glover said that as of December 1978, there were 149 apprenticeable occupations without a single apprentice. What do the latest statistics show?

Answer: It is estimated that there are 300 of the 738 occupations recognized by the Bureau of Apprenticeship and Training that currently have no apprentices in training. Of course, this is a fluctuating figure that changes frequently as new apprentices are registered and other apprentices complete or leave the program. The vast majority of apprenticeship programs are with small businesses employing a relatively low number of apprentices so there can well be times when an employer has recently completed training one or more apprentices and there is a delay before initiating training for others. The fact that an employer is temporarily without an apprentice has no bearing on the fact that the occupation has previously been determined apprenticeable. As the economy improves it is expected that more of the apprenticeable occupations will have apprentices engaged in training.

UNEMPLOYMENT BENEFITS -- COMPUTER MATCHING

Question: Last September the General Accounting Office, in a study requested by Senator Pryor, found that $730,000 in unemployment benefits was improperly paid to Virginia and District residents while they were receiving Federal pensions or while they were imprisoned. Senator Pryor concluded that millions could be saved simply by cross-checking the lists of persons collecting pension checks with those receiving unemployment benefits. Apparently you are working with the Office of Personnel Management to provide lists of current and retired Federal workers to the States so that they can perform the necessary computer matches. Please give us a progress report on this effort.

Answer: A complete report to the Congress on the status of this activity has been completed, has received inter-agency and OMB clearance, and is in final stages of the Department of Labor processing. It is expected to reach the Congress by the end of March 1984.

JOB CORPS COST PER CORPSMEMBER

Question: Mr. O'Keefe, you are requesting $600 million for the Job Corps in Fiscal Year 1985, an increase of $22.5 million above your current budget. When you testified before the Senate Committee on Labor and Human Resources on February 8 of this year, you told the Committee that the average cost per corpsman will be $14,648 in Fiscal Year 1984 compared to an estimated $13,683 in Fiscal Year 1983. That represents a seven percent increase. At the same time you told the Committee that in real terms you have reduced operational unit costs. Those two statements seem inconsistent unless you are assuming an inflation rate for Fiscal Year 1984 of more than seven percent. Would you reconcile those statements?

Answer: I would first like to address the nature and extent of the increase reflected in the requested Program Year 1985 appropriation as compared to the appropriation that has been made for Program

Year 1984. This requires that we examine the history of the Job Corps appropriations since FY 1983. The appropriation for FY 1983 was $618 million. Of this, $32.4 million was provided under a FY 1983 supplemental which is now programmed for use during the FY 1984 Transition Period (October 1983-June 1984). In practical terms, the FY 1983 appropriation is thus reduced to its original level of $585.6 million. In making the appropriations for the FY 1984 Transition Period ($414.9 million) and the 1984 Program Year ($577.5 million) the $32.4 million carried in from FY 1983 was taken into account by the Congress and resulted in a dollar-for-dollar reduction in the FY 1984 appropriation. The net effect is that the "real" appropriation level for the three periods in question (FY 1983, FY 1984 Transition Period, and 1984 Program Year) is a constant $585.6 million per year. This is illustrated in the table provided below (dollars in millions):

	FY 1983	1984 TP (9 mos.)	1984 PY
Nominal Appropriation	$618.0	$414.9	$577.5
Adjustment	-32.4	+24.3	+8.1
Real Appropriation Level	585.6	439.2 *	585.6

* Annualizes to $585.6.

After taking these adjustments into account, it is clear that the true increase in budget authority requested in Program Year 1985 is $14.4 million rather than the nominal figure of $22.5 million.

With respect to the Department's statements that the Program Year 1985 budget request reflects a net decrease in "real" or "constant dollar" Job Corps costs, there are two key points that bear thorough explanation.

First, in measuring the operational costs of the Job Corps program, it is standard practice in the Department to consider separately the costs of construction and other physical improvements to Job Corps center facilities. This practice is necessary to neutralize the skewing effects caused by fluctuations in construction spending that occur from year-to-year. A good case in point is the sharp increase in construction spending that is scheduled to occur during the 1984 Transition Period and the 1984 Program Year. The sharp increase is needed to accomplish a number of one-time center relocations and to catch up on a modest backlog of facility repairs and improvements that were not addressed in the preceding year. After Program Year 1984, however, construction spending is scheduled to decline to a more typical level.

Second, the costs of goods and services needed to operate the Job Corps program are clearly affected by inflation. Given the composition of these goods and services and the manner in which they are procured by the Department of Labor, we have determined that the GNP deflator is the most suitable index of inflation to predict nominal cost increases from year-to-year and to adjust Job Corps costs to "real" or "constant dollar" terms when doing year-to-year comparisons. It must also be recognized that 21 months rather than 12 months of inflation must be considered when comparing fiscal year 1983

costs with those of program year 1984. This is due to the change in program year required by JTPA and the resulting nine month transition period.

With these points in mind, the comparison of Job Corps unit costs--i.e., cost per corpsmember service year (CMSY)--is as follows:

	FY 1983 Oct 82-Sept 83	PY 1984 July 84-June 85	PY 1985 July 85-June 86
Cost/CMSY in nominal $'s...	$13,683	$14,648	$14,362
Cost/CMSY in constant FY 1983 dollars.....	13,683	13,495	12,631
As percent of FY 1983 cost/CMSY.....	100%	98.6%	92.3%

JOB CORPS PERFORMANCE AND COST INDICATORS

3/07/84

	1985 PY EST	1984 PY EST	1984 TP EST.	FY 1983	FY 1982
A. PERFORMANCE INDICATORS					
1. CORPSMEMBER SERVICE YEARS (CMSY)	40,544	40,544	30,408	40,085	39,526
2. NEW ENROLLEES SERVED	60,816	60,816	45,612	60,465	53,581
3. TOTAL PARTICIPANTS	102,000	102,000	86,887	97,902	97,562
4. TOTAL TERMINATIONS	60,816	60,816	45,612	56,733	60,155
5. REPORTED PLACEMENT OUTCOMES					
a. Employment	20,300	20,300	15,300	19,760	22,985
b. Education Entry	11,300	11,300	8,400	9,528	11,053
c. Total Positive Outcomes (a + b)	31,600	31,600	23,700	29,288	34,038
d. Rate (% of Terminees Reported)	78	78	78	75	78
6. ESTIMATED PLACEMENT OUTCOMES*					
a. Employment	26,460	26,460	19,845	23,995	27,521
b. Education Entry	12,020	12,020	9,015	11,093	12,596
c. Total Positive Outcomes (a + b)	38,480	38,480	28,860	35,088	40,117
B. COSTS IN NOMINAL TERMS**					
1. APPROPRIATION ($ IN -000-)	600,000	577,500	414,900	618,000	589,600
2. TOTAL COSTS ($ IN -000-)	600,000	625,700	463,200	565,160	570,200
a. Operations/Noncnst Capital	582,300	593,900	439,500	548,500	549,200
b. Construction	17,700	31,800	23,700	16,660	21,000
3. COST PER CMSY	14,362	14,648	14,453	13,683	13,895
4. COST PER NEW ENROLLEE	9,575	9,766	9,636	9,071	10,250

JOB CORPS PERFORMANCE AND COST INDICATORS

3/07/84

	1985 PY EST	1984 PY EST	1984 TP EST.	FY 1983	FY 1982
5. COST PER PARTICIPANT	5,709	5,823	5,058	5,603	5,629
6. COST PER PLACEMENT	15,133	15,434	15,229	15,632	13,690
C. COSTS ADJUSTED TO 1984 DOLLARS**	0.920	0.964	1.000	1.047	1.095
1. APPROPRIATION ($ IN -000-)	552,000	556,710	414,900	647,046	645,612
2. TOTAL COSTS ($ IN -000-)	552,000	603,175	463,200	591,723	624,369
a. Operations/Nonconst Capital	535,716	572,520	439,500	574,280	601,374
b. Construction	16,284	30,655	23,700	17,443	22,995
3. COST PER CMSY	13,213	14,121	14,453	14,327	15,215
4. COST PER NEW ENROLLEE	8,809	9,414	9,636	9,498	11,224
5. COST PER PARTICIPANT	5,252	5,613	5,058	5,866	6,164
6. COST PER PLACEMENT	13,922	14,878	15,229	16,367	14,991

* MOST JOB CORPS ENROLLEES RECEIVE TRAINING AWAY FROM THEIR COMMUNITIES. THE GEOGRAPHICAL DISPERSION OF TERMINEES MAKES IT DIFFICULT FOR STATE EMPLOYMENT SECURITY AGENCIES TO LOCATE AND REPORT ON MANY OF THEM. THE ESTIMATION PROCEDURE IS BASED ON THE REPORTED EXPERIENCE OF TERMINEES WHO PLACED THEMSELVES, AND REPRESENTS A CONSERVATIVE ASSUMPTION.

** THE UNIT COST INFORMATION (COST PER CMSY, NEW ENROLLEE, PARTICIPANT, PLACEMENT) IS BASED ON TOTAL COSTS LESS THOSE FOR CONSTRUCTION.

JOB CORPS 1985 UNIT COST

Question: What will your average cost per corpsman be in 1985?

Answer: In the 1985 Program Year, which runs from July 1, 1985 through June 30, 1986, we are projecting that total Job Corps costs will approximate $600 million. Of this total, about $17.7 million will be spent for construction and other physical improvements to Job Corps center facilities. This is significant because the costs of construction and capital improvements are customarily disregarded when computing Job Corps unit costs. In this regard, the projected Program Year 1985 expenditures that are taken into account to determine Job Corps unit costs amount to nearly $582.3 million. Dividing this estimate by projected corps member service years of 40,544 yields a 1985 unit cost of $14,362.

CONVERSION OF STAFF POSITION FUNDS TO AUTOMATION

Question: Last year, the Senate report on the Labor-HHS Education Bill included language directing the Department to "establish firm decision timeframes and deadlines for responding to SESA automation requests. The established timetables shall be explicit in their requirements that Labor Department's failure to respond will mean approval of a request and SESA failure to respond will mean withdrawal of a request."

In your letter of February 17, reporting on the extent to which the Department was following Committee directives, you stated that ETA had complied with this directive by issuing Field Memorandum 150-83. However, I see no references to decision timeframes or deadlines in that document. What timeframes have you established?

Answer: To establish a firm timeframe for approval of conversion requests would require limiting the conditions under which State Employment Security Agencies (SESAs) requests are submitted. If conversion requests are submitted independent of any other request, the Employment and Training Administration (ETA) can generally respond within one month from the time the request is received in the National Office. However, requests that are part of another proposal, i.e., requests for automation grants, will require longer periods. Should any States be submitting such requests under the current guidance they will receive a notification of our decision by May 15, 1984. To date, very few SESAs have requested consideration under the conversion policy. It is hoped that the automation proposals will encourage SESAs to avail themselves of the conversion policy. Since automation needs are pressing, ETA will make every effort to respond promptly to conversion requests.

RANDOM AUDITS

Question: Last year I asked your predecessor, Mr. Angrisani, how much the program of random audits of State unemployment benefit payments would cost in 1984 and how much he expected it to save. He said it would cost $21 million but that he didn't know how much it would save, although he could get that specific number for us. Well

you've had 12 months to come up with an estimate of savings. Can you tell us now how much the Random Audit program will save in Fiscal Year 1984?

Answer: The Department has found that generally there is a return of $3.00 for every $1.00 spent on benefit payment control based on experience with that program. States are not fully operational until four (4) quarters of random audit have occurred. Only 15 States have achieved this degree of experience under Random Audit. Under the circumstances, it is not feasible to identify a specific total savings figure at this time. Specific improvements (administrative or legislative changes) have, of course, been made as a consequence of Random Audit. For example, one State is in the process of passing legislation requiring a dollar-for-dollar reduction of benefits that are overpaid. (The estimated dollar value of overpayments for that State was $163.8 million). Other changes States have made to reduce overpayments include procedural modifications, forms revisions, increased job service coordination, revisions to benefit rights interviews, studying work search policies, simplification of benefit computation, active work search requirements, (initial and continuing), and disqualification penalities such as above.

Question: How much do you plan to spend on Random Audits in 1985?

Answer: The Employment and Training Administration is currently redesigning the Random Audit program into a more precise quality control system to increase the effectiveness and efficiency of program administration as well as initiate new procedures designed to better prevent, detect and collect UI overpayments. Therefore, it is not possible to provide a specific figure for Random Audit alone. Together the total direct cost for the Random Audit program and start-up quality control will be $18.9 million.

Question: Information supplied for last year's record indicated the Random Audit program audits about 8.87 cases per 100,000 transactions. That seems like a very meager sample. If the program is effective, why not expand it?

Answer: The number of cases will be expanded under quality control to improve the precision of the sampled error rates. However, the number of cases sampled under Random Audit is based on the accepted statistical sampling theory which is used widely to project outcomes will yield an 80 percent confidence level. The methodology has been reviewed by GAO and is expected to be endorsed in its forthcoming report on Random Audit. The key is assuring that the sample is truly random.

ETA -- EQUIPMENT

Question: Last year's equipment estimates were way off the mark. Last year ETA estimated equipment expenditures of $100,000 in 1983 and $108,000 in 1984. You actually spent $1,490,000 on equipment in 1983 and now plan to spend $1,616,000 in 1984. What happened?

Answer: The $100,000 and $108,000 projected figures for FY 1983 and FY 1984 respectively, represented for the most part, the estimated lease-purchase cost of largely obsolete word processing equipment already in ETA. In FY 1983 however, an analysis of ETA offices' needs and the comparison of purchase vs. lease cost of new and more modern equipment, indicated that:

1. State-of-the-art word processing equipment should replace the obsolete equipment to significantly increase efficiency, and the number of user work stations should be increased.

2. With a useful life cycle of 5-7 years for the new equipment, it would be cost beneficial to purchase rather than lease the new equipment.

In addition, because it was determined to be cost beneficial to bring more data processing functions in-house it was decided to enhance the capacity of the ETA VAX Distributed Computer Network (DCN). The enhanced DCN will be able to accommodate increased numbers of in-house end users, and most of the ETA automated information systems. The implementation of these decisions resulted in the expenditure of about $1.17 million for ADP equipment in FY 1983. The remainder was spent for non-ADP equipment.

The projected ADP equipment expenditures for FY 1984 anticipate the continuation of the DCN enhancement, including the purchase of two VAX mini-computers and peripherals, and terminals for end-user access to the DCN. Smaller acquisitions are intended for the automation of word and data processing functions in the Job Corps and Bureau of Apprenticeship regional and field offices.

ETA -- TRAVEL

Question: Mr. O'Keefe, I notice that your Administration will spend less on personnel in fiscal year 1983 and 1984 than you originally estimated last year, but that your travel costs will be substantially higher than originally estimated. Last year's budget assumed travel expenditures of $3,175,000 in 1983. The final figure was $3,585,000. Your 1984 projections were even wider of the mark. Last year you projected travel expenses in 1984 of $2,842,000. Your current estimate for 1984 has risen to $3,713,000 -- an increase of 30 percent. Why were last year's travel estimates so wide of the mark?

Answer: Last year's 1984 travel estimate was $2,842,000 from the Program Administration account together with $1,658,000 from the Training and Employment Services account primarily for the provision of technical assistance and training, and summer youth employment program monitoring. Therefore, the total travel estimate was $4,500,000. The comparable revised 1984 travel estimate is $4,002,000, a reduction of $498,000. The change reflects a decreased summer program monitoring effort by Federal staff.

Questions Submitted by Senator Arlen Specter

CONTINUOUS WAGE AND BENEFIT HISTORY PROGRAM

Question: The Department has proposed a $6 million longitudinal study of the participants in the Job Training Partnership Act -- a $3 billion program annually; yet it has proposed eliminating the $4 million Continuous Wage and Benefit History Survey, which examines recipients of Federal Supplemental Unemployment Compensation -- almost a $30 billion program annually. How can you justify eliminating this Survey?

Answer: The Continuous Wage and Benefit History (CWBH) program is being discontinued because of its limited usefulness to the U.S. Department of Labor (DOL) and because of substantial cost of the program at a time of limited resources.

The CWBH cannot be used to accomplish its original Federal purpose--the provision of reliable data to make policy and legislative decisions. The present CWBH is not representative of the United States as a whole. The 14 States--of a total of 17--that now produce data are not representative of all 50 States. As a result they are not, nor will they be in the future, a reliable tool for national legislative and policy analysis. As a result DOL is funding this project at a current cost of $4.0 million and getting little in return.

In addition, the Department will be collecting a great deal of new data on unemployment insurance program recipients beginning in 1985 from the UI Quality Control program. The extensive and rich data base resulting from this new program is designed to have multiple uses, including policy and legislative development as well as quality control and program management.

Question: A major reason you have proposed eliminating the Survey is that the 17-State sample is not representative nationally. How many more States are needed to make the sample representative? 5?

Answer: The Department of Labor believes a 21 or 22 State sample would provide sufficiently nationally representative information to form the basis for policy studies and legislative recommendations. To achieve a higher level of statistical reliability would require a larger sample of about 25 States.

Question: How much more money would this require yearly? ($2 million)

Answer: Increasing the number of States to 22 would increase the costs from $4.0 million in Fiscal Year 1984 to $4.6 million in Fiscal Year 1985 and to $6.3 million in Fiscal Year 1986. A further increase to 25 would add approximately $1 million more to annual operating cost.

Question: The Survey is currently widely used, for example: a) to estimate the cost of new Federal job training and unemployment insurance programs; b) to assess the impact of State manpower programs

and other legislative proposals at that level; c) to determine whether current programs to aid workers are working. The cost of setting up an original study of wage and benefit history would far exceed retaining the current Continuous Survey--why do it? What do you proposed to replace it?

Answer: While the CWBH has value to the individual participating States because it is representative of each of them, it does not have value to the Federal Government because the participating States are not representative of the Nation. Given the high cost of expanding the system, it has been determined that the cost of the system exceeds its benefits.

In addition, the Department will be collecting a great deal of new data on unemployment insurance program recipients beginning in 1985 from the UI Quality Control program. The extensive and rich data base resulting from this new program is designed to have multiple uses, including policy and legislative development as well as quality control and program management.

The Department can also conduct studies of UI exhaustees when appropriate using special surveys through contract research efforts. The Department will also continue to count the number of unemployment insurance program exhaustees of regular and extended benefits.

Question: More than 10 million receive Federal unemployment compensation. The Continuous Wage and Benefit History provides the only instrument by which to assess the demography of this group. How can we afford to forfeit this vital data base?

Answer: The Department of Labor will continue to have information on the demographic composition of initial claimants of the regular Unemployment Insurance program from the ES-203 report. The data contained in this report are the age, race, sex, industry occupation and duration of unemployment. Quality control will also be available.

Questions Submitted by Senator Robert C. Byrd

WEST VIRGINIA ORCHARDISTS' ADVERSE EFFECT WAGE RATE

Question: On September 2, 1983, the Department of Labor, acting through the Employment and Training Administration (ETA), promulgated a final rule in the Federal Register concerning the Adverse Effect Wage Rate in West Virginia and other States. The 1983 Adverse Effect Wage Rate (AEWR) for West Virginia was set at $4.24. The 1982 West Virginia AEWR was also set at $4.24, in response, the rule stated, to a federal court order. The rule also stated that the 1983 AEWR would not be made retroactive to 1982 for all States, except West Virginia, because of the "...Time and expense of recomputing back pay, and of locating workers who have left the employment..." of growers. How does ETA justify the burden imposed on West Virginia growers by the rule, which makes the 1983 AEWR applicable to 1982? (20 CFR Part 655, Amended).

Answer: The rule states that the AEWR established for a State in 1983 would be the highest of the computed rate for 1983 or "the rate applied in the State in 1981 or 1982." In West Virginia, the 1982 AEWR was $4.24, pursuant to an order of the U.S. District Court for D.C. (August 1982). The final rule published on January 4, 1983, had announced that, the "1983 AEWR for West Virginia would continue to be $4.24" (48 FR 235). Due to the size of the increase for West Virginia from 1981 to 1982 (17.2%) DOL had attempted to hold the 1982 AEWR to $3.98 instead of $4.24. This attempt was overruled by the Court which required retroactive payment of $4.24 for 1982 in an order issued on June 28, 1983. The extra requirement placed on West Virginia by the September 2, 1983, rule was specifically imposed by a Court Order.

Question: Has ETA calculated the amount of the increased costs that the rulemaking referenced in question 1 will impose on West Virginia growers? If so, what is that amount?

Answer: No, ETA has not calculated the amount of the increased costs. ETA has no way to calculate the amount of increased costs on a State by State basis when AEWRs are established.

SUBCOMMITTEE RECESS

Senator WEICKER. Before the concluding statement, and not meaning any personal affront to those in this room, I find it slightly contradictory that this is the Subcommittee on Labor, which has as a part of its jurisdiction OSHA, MSHA, et cetera, Health and Human Services, which has NIH, et cetera, and that we sit here in this committee room filled with smoke from cigarettes.

And I would suggest to the staff that from now on that will not take place during subcommittee hearings. There will be no more smoking in the room.

The subcommittee will now stand in recess until Wednesday——

Senator PROXMIRE. Before you do that, Mr. Chairman, let me say I want to commend you very much on that last remark. I think you will do more by that example to prevent cancer and heart disease than anything else we can presently do in our committee. [Applause.]

Senator WEICKER. The subcommittee will now stand in recess until Wednesday, March 7, when we will continue with hearings on the fiscal 1985 budget request for the Labor-Management Services Administration, the Pension Benefit Guaranty Corporation, the Employment Standards Administration, and the Bureau of Labor Statistics.

The hearing will begin at 9 a.m. in this room.

[Whereupon, at 11:05 a.m., Thursday, March 1, the subcommittee was recessed, to reconvene at 9 a.m., Wednesday, March 7.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 7, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:10 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

DEPARTMENT OF LABOR

LABOR-MANAGEMENT SERVICES ADMINISTRATION

STATEMENT OF RONALD J. ST. CYR, DEPUTY ASSISTANT SECRETARY FOR LABOR-MANAGEMENT SERVICES

ACCOMPANIED BY:

RONALD A. G. MONKS, ADMINISTRATOR, OFFICE OF PENSION AND WELFARE BENEFIT PROGRAMS

ERNEST J. GERMAN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

PREPARED STATEMENT

Senator PROXMIRE [presiding]. Good morning, gentlemen. I apologize for being tardy and I compliment you on being on time.

This morning we will hear testimony on the administration's fiscal year 1985 budget requests for the Labor-Management Services Administration; the Pension Benefit Guaranty Corporation; the Employment Standards Administration; and the Bureau of Labor Statistics.

Our first witness this morning is Ronald J. St. Cyr, the Deputy Assistant Secretary of Labor for Labor-Management Services. Mr. St. Cyr, welcome to the hearing. Please introduce your associates and proceed as you wish.

Your prepared statement will be included in the record in its entirety.

[The statement follows:]

STATEMENT OF RONALD J. ST. CYR

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you as Deputy Assistant Secretary of Labor for Labor-Management Relations to present the budget request for fiscal year 1985.

The fiscal year 1985 request is $61,186,000 and 1,110 positions. From FY 1984, this is a net increase of $1,164,000 and a net decrease of 7 positions. The net change includes approximately $1.4 million to cover necessary costs associated with salaries, annualization of several 1984 program increases and administrative and support services; and approximately $1.5 million and 30 positions to provide resources to support enforcement of the ERISA, the Landrum-Griffin Act and to strengthen the Cooperative Labor-Management program. These increases are partially offset by a decrease of about $1.7 million and 37 positions distributed throughout the agency. The decrease will be achieved through several management initiative reductions, including reductions in agency administrative overhead and the numbers of employees in grades GS11-15.

The appropriation for the Labor-Management Services Administration covers labor-management standards enforcement, pension and welfare benefit programs, and a variety of employee protection and labor-management relations activities. Overall strategies for FY 1985 will continue to support efforts to promote cooperative labor-management and to achieve effective enforcement programs.

In the area of cooperative labor-management, our 1985 budget proposal includes a requested increase of 10 positions and $1.1 million. These resources will be utilized to enhance efforts to implement a national program to encourage leaders in business and labor to work cooperatively, stimulating productivity and improving the quality of working life. The competitive position of American industry has gradually eroded as other nations have come to excel in productive efficiency making it essential that business and labor work together to reverse this process. Therefore, the budget request includes plans for greater joint efforts involving the private sector and government, further development of a telecommunications network to diffuse knowledge of cooperative labor-management programs, practices and concepts; and expansion of our publications program, our education and training program and our conference and symposia program with focus on regional and industry-specific issues.

In the area of labor-management standards enforcement our budget proposal includes a request for 10 additional positions and $218,000. This increase will enable us to foster a more effective investigations program. To achieve this goal we will commit additional resources to criminal investigations and financial audits; implement programs which will further improve our ability to uncover violations; undertake changes in annual reporting requirements to strengthen our capacity and ability to identify criminal wrongdoings and financial malpractice, and, adopt a delinquent reporting compliance strategy which will improve the timeliness of union reporting.

In the area of ERISA, our 1985 budget proposal includes a request for 10 additional positions and $211,000. With the Chairman's permission, I will ask the new Administrator of the Office of Pension and Welfare Benefit Programs, Mr. Robert Monks, to provide a statement, after which my colleagues and I will be glad to respond to any questions you may have. Thank you, Mr. Chairman, that concludes my statement.

STATEMENT OF ROBERT A. G. MONKS

It is a pleasure to appear before you today. I have been Administrator of the Pension and Welfare Benefit Programs (OPWBP) at the Department of Labor for about two months, and this is only my second appearance before Congress. In light of the important role you play in my being able to accomplish my objectives, I think it is fitting that my first appearance before the House of Representatives be before this Appropriations Subcommittee.

As you are aware, Secretary Donovan announced on January 20, 1984, the separation of OPWBP from the Labor-Management Services Administration (LMSA). This separation was undertaken as a result of the Secretary's belief that the Department can best carry out its responsibilities to plan participants and beneficiaries through an independent OPWBP. The new structure recognizes the ever increasing importance of pension assets to the economy.

I believe the changed status will prove beneficial to all. As a result of the restructuring, OPWBP has direct control of the Department's responsibilities under title I of the Employee Retirement Income Security Act (ERISA). This includes National Office functions such as exemption, advisory opinions, regulations and communications, as well as Field investigative functions.

While policy direction has already passed to OPWBP, the full change-over will not be completed until May 21, 1984. A special task force has been created to coordinate the transition. I am chairing that task force. In order to see that the transition occurs smoothly, the Secretary has placed his Chief of Staff on the task force along with the Solicitor-designate, Inspector General, Assistant Secretary for Administration and Management and Deputy Assistant Secretary for LMSA.

Mr. St. Cyr has provided you with the joint LMSA-OPWBP FY 1984 budget figures, which were compiled while OPWBP was part of LMSA. We are requesting an additional 10 positions to strengthen our enforcement program. I believe it is extremely important to continue to increase the number and quality of both criminal and civil investigations of possible violations related to the administration of pension and welfare plans. While the relative impact of the request may be modest, the effect will be to show an increased commitment to ERISA enforcement.

Before answering your questions, I would like to stress the importance of OPWBP to the American worker and to the growth of the economy. There are nearly $900 billion of assets in pension plans covering nearly 60 million participants and beneficiaries. As you can see, we have quite a responsibility.

Our client population -- the participants and beneficiaries -- deserve a well-trained and professional organization. I have been quite impressed to date by the quality of the existing OPWBP staff and their commitment to the public good. I hope to build on that commitment to bring OPWBP recognition as a top-rate professional organization.

I appreciate the opportunity to appear before you today. I look forward to working with you in the future. I would be happy to answer any questions you may have.

Biography of Ronald J. St. Cyr

Ronald J. St. Cyr was appointed Deputy Assistant Secretary for Labor- Management Relations by Secretary of Labor Raymond J. Donovan on May 22, 1981.

As Deputy Assistant Secretary, Mr. St. Cyr is the second-ranking official in the Labor Department's Labor-Management Services Administration (LMSA), which administers laws affecting the activities of unions and private pension and welfare benefit plans and the reemployment rights of veterans. Laws administered by LMSA include the Employee Retirement Income Security Act, the Labor-Management Reporting and Disclosure Act, and the Veterans' Reemployment Rights Act.

Mr. St. Cyr came to the Labor Department after 26 years with Kaiser Steel Corporation where he worked his way up through the ranks to become manager of industrial relations.

During his career with Kaiser, Mr. St. Cyr also served as superintendent of industrial relations, labor relations representative, safety representative, and held various other supervisory and union hourly positions. In addition, he also taught numerous evening college management courses.

Born in Warwick, R.I., on October 9, 1935, Mr. St. Cyr lived in Southern California most of his life.

Mr. St. Cyr received his Bachelor's Degree in Business Administration from California State University at Los Angeles in 1969 and his Master's in Business Administration from Pepperdine University in 1974.

A veteran of the U.S. Army, Mr. St. Cyr is married to the former Marilyn J. "Lindy" Frankensteen. They reside in the District of Columbia.

Biography of Robert A. G. Monks

Robert A.G. Monks was appointed Administrator, Office of Pension and Welfare Benefit Programs by Secretary of Labor Raymond J. Donovan on December 20, 1983.

Before joining the Labor Department, Mr. Monks was a director of the Synthetic Fuels Corporation from September 1981 to December

1983. He also has served on various task forces, including the Vice President's Task Force on Regulatory Relief.

From 1975-81, Mr. Monks was Chairman of the Board of The Boston Company (TBC), a bank holding company that provides financial services to, among other things, public and private pension funds.

In 1973, he assumed the chairmanship of the Finance Committee of Sulpetro of Canada, Ltd.

He was president of the New England exporting firm of C. H. Sprague & Sons from 1967-72.

From 1965-67, he served as Vice President in charge of finance at Gardner Associates, a Boston-based company which markets oil products.

Mr. Monks also practiced law with the Boston firm of Goodwin, Proctor & Hoar from 1958 to 1965, where he specialized in corporate law.

He is a member of the American Bar Association; the Massachusetts Bar Association; and has served on numerous state and local civic and political associations. In addition, he is active in numerous charitable organizations.

He graduated Phi Beta Kappa in 1954 from Harvard University with a degree in history and in 1958 received his L.L.B. from the Harvard University School of Law.

Department of Labor
Labor-Management Services Administration
Salaries and Expenses

Activity	1983 Actual Pos.	1983 Actual Amount	1984 Request Pos.	1984 Request Amount	1984 Appropriation Pos.	1984 Appropriation Amount	1984 Revised Request Pos.	1984 Revised Request Amount	1985 Estimate Pos.	1985 Estimate Amount
1. Labor-management relations services....	49	$3,057,000	59	$4,028,000	59	$4,004,000	59	$4,051,000	67	$5,166,000
2. Labor-management standards enforcement.	445	20,389,000	520	23,220,000	463	22,011,000	460	22,200,000	462	22,521,000
3. Veterans' reemployment rights.....	48	2,529,000	48	2,572,000	48	2,554,000	---	---	---	---
4. Pension and welfare benefit programs.....	478	27,498,000	523	29,673,000	501	28,963,000	501	29,200,000	495	29,299,000
5. Executive direction, management and support.	97	4,359,000	98	4,637,000	98	4,604,000	97	4,571,000	86	4,200,000
Total.....	1,117	$58,012,000	1,248	$64,130,000	1,169	$62,136,000	1,117	$60,022,000	1,110	$61,186,000

INTRODUCTION OF ASSOCIATES

Mr. ST. CYR. Thank you very much, Mr. Chairman. Thank you for the opportunity to come before you and present you with a modest request.

I have, to my right, our new Administrator of the Pension and Welfare Benefit Programs, Mr. Robert A. G. Monks who is eminently qualified, an individual we are just delighted to have with us and we feel he's going to be a historic administrator of the pension program.

Senator PROXMIRE. I have a resume including a biography of each of you gentlemen and I am deeply impressed with you both. With your backgrounds you are well qualified.

Mr. ST. CYR. Thank you, sir. The gentleman on my left is Jerry German who is the Director of our Office of Management. We have brought some other individuals just in the event we may need some technical assistance in answering some of your concerns.

We, as you indicated, submitted opening statements for the record and I will just briefly summarize what's in those statements, if you wish. After that I think Mr. Monks may want to say a couple of words.

By the Secretary's order dated January 20 of this year, the Office of Pension and Welfare Benefit Programs was designated as a separate entity within the Department of Labor and will be reporting directly to the Secretary of Labor. In that position, Administrator Monks will be reporting directly to the Secretary.

FISCAL YEAR 1985 BUDGET PROPOSAL

Our 1984 budget was roughly $60 million and 1,117 positions. In the 1985 budget request we are asking for $61,186,000, an increase of $1,164,000. In terms of positions, we are actually asking for a decrease of seven positions.

To explain the decrease first, we have a request for the elimination of 37 positions. That's a resource savings achieved as a result of several management initiatives including reduction of the grades GS–11 through GS–15, a departmentwide function of the consolidation effort and space reduction savings. The dollar savings are $1,778,000.

At the same time, we are asking for program increases in other areas; 30 positions in total and program increases dollarwise of $1,520,000.

In our Labor-Management Relations Services Division we are asking for 10 positions and $1,091,000. $205,000 is to finance the requested staff increases for those 10 positions in the cooperative labor-management program. $550,000 is requested for contract research.

The thrust of our activities in labor-management cooperation is toward improving industrial production and competitiveness in the United States; and the research dollars will allow us to examine the human resources factor in production, the role of the workers in cooperative labor-management programs, and analyze the role of industrial relations and the impact of productivity and technological change on workers in industrial relations institutions.

An additional $147,000 is being requested for printing to insure that employers and unions are made aware of the best experience and have access to techniques and resources so as to adopt these experiences to their specific needs. $189,000 in contract funds to finance regional conference activities and other forms of outreach for cooperative labor-management programs is also requested.

In labor-management standards enforcement—LMSE—we are requesting 10 additional positions and $218,000 to finance the requested staff increase for financial audits and embezzlement investigations.

In pension and welfare benefits programs we are requesting 10 positions and $211,000. We also have built-in increases of $1,422,000 for increased cost of salaries including annualization for several of our fiscal year 1984 program increases and in administrative support services.

I only touched briefly on PWBP. I think, at this point, I would ask Mr. Monks if he'd like to say a few words.

Senator PROXMIRE. Mr. Monks, go right ahead, sir.

SUMMARY OF PENSION WELFARE BENEFITS PROGRAM

Mr. MONKS. Sir, I have a very brief formal statement which is only appropriate because I have only been on the job for 8 weeks and I wouldn't presume on you to take much of your time with what I presently know. It isn't a great deal.

The Secretary has, as Mr. St. Cyr has mentioned, announced the separation of basically the ERISA program from the Landrum-Griffin Act program and other programs in LMSA about 5 weeks ago and I have been very excited about the prospect of being the administrator and trying to make this work because I believe ERISA is one of the great pieces of legislation that the Congress has enacted in recent years and that the extraordinary success of this bill of Congress is not the kind of thing one hears about very often.

One hears about bad things; but as near as I can tell this is really the envy of the world. We have a voluntary pension system that now covers some 60 million employees.

In some ways, some people even in this building would say the largest problem we have is some funds are overfunded. There is some $900 billion now being administered pursuant to ERISA fiduciary standards. I think it's the largest pool of capital ever——

Senator PROXMIRE. Nine hundred billion dollars?

Mr. MONKS. Nine hundred billion dollars.

Senator PROXMIRE. That's almost as big as the budget will be in 1985.

Mr. MONKS. I hate to mention, a significant part of the deficit as well. So I am very excited about the prospect. We have something under 500 employees, a little less than 200 in the national office and 300 in the field.

I expect to spend a large part of this year trying to learn this job and make recommendations to you perhaps in another year's time when I appear before you and it will be more comprehensive and specific than what I say today. I wonder if I might be permitted a personal remark.

I oftentimes told myself as I was running in Maine, where I live, in the cold weather if I ever had the chance I wanted to thank you for your books on exercise and nutrition.

Senator PROXMIRE. No wonder you look so good. You sound even better. [Laughter.]

Mr. MONKS. I hate to say so, but when you see me walk out I'll be hobbling because I'm unfortunately not smart enough to learn not to run on a hard pavement. I have only recently sort of—what should I say?—cast back to the rebound of my aging knees and ankles.

Senator PROXMIRE. Keep it up and when you get to be 68, as I am. you'll really stagger. [Laughter.]

Thank you very much, sir. Is that it?

Mr. MONKS. That's it.

ASSISTANT SECRETARY VACANCY

Senator PROXMIRE. Mr. St. Cyr, you are testifying before the subcommittee as Deputy Assistant Secretary of Labor for Labor-Management Relations. How long has the Assistant Secretary position been vacant?

Mr. ST. CYR. One year. I believe it's 1 year today.

Senator PROXMIRE. Why has it taken the administration so long to find an Assistant Secretary? It seems to be taking an excessive time to fill this very important position.

Mr. ST. CYR. I really don't know the answer to that, Mr. Chairman.

Senator PROXMIRE. Can you give us any idea as to when a new Assistant Secretary will be nominated?

Mr. ST. CYR. I don't know. That's a question only the Secretary can answer. I know that he's very concerned about being certain that he gets the right individual for that position and I think he's taking painstaking time and probably talking to a great many people; but I'm kind of guessing. I have no idea.

Senator PROXMIRE. Well, if you can supply the subcommittee with any information on the timetable in the next week or two, we'd appreciate it very much. We'd like to have that information. We believe it's important, as I'm sure you do and the Secretary does, that the position be filled.

[The information follows:]

LABOR-MANAGEMENT SERVICES ADMINISTRATION ASSISTANT SECRETARY VACANCY

As you are undoubtedly aware, as a result of a recent reorganizational decision, my Department is presently in the process of establishing the Office of Pension and Welfare Benefit Programs as a separate entity outside of the Labor-Management Services Administration. We are also considering elevating the cooperative labor-management relations activities currently carried out by the Office of Labor-Management Relations Services. I would like to emphasize that there will be, as a result, no diminution of these programs; in fact, each program will be strengthened by this arrangement.

Prior to the decision to reorganize, quite a number of candidates were recruited and interviewed for the position. Several "short listed candidates" were ultimately not appointed for a number of reasons, ranging from personnel considerations to private sector offers with higher salary incentives. We hope to complete our search process within the next 30 days, and that a candidate will begin to undergo the appropriate background checks at that time.

LMSA STAFFING REDUCTIONS

Senator PROXMIRE. Last year you told the subcommittee that when you took over the Labor-Management Services Administration you found, and I quote, "depleted staff conditions," meaning I presume that there weren't enough people in the right places. You said "There were serious problems with program direction and that some laws were simply not being enforced." That's an exact quote.

But in fiscal year 1982, the first full Reagan budget year, you cut your staff from 1,034 to 848, a pretty deep cut, according to the tables you provided for last year's record.

Didn't that reduction represent an initial decision on the part of the present administration that you did not have a depleted staff, but that you were overstaffed?

Mr. ST. CYR. Well, no, sir. I think probably, in total, the Department of Labor was overstaffed and acting upon the instructions of the administration we took across-the-board cuts. In order to be fair to everyone it was just a straight across-the-board cut. I think it was 12 percent or something in that neighborhood.

Then on top of that we came back and asked for increases in particular programs and particular areas of need. So, in essence, while reductions took place on paper, they were later offset by request for increases so that the individuals never really left the area we were concerned with.

Senator PROXMIRE. You said there were across-the-board cuts of 12 percent?

Mr. ST. CYR. Yes, sir.

Senator PROXMIRE. The cut from 1,034 to 848 was an 18-percent cut.

Mr. ST. CYR. There were two reductions, two passes; that's right. I recall most the 12-percent reduction.

Senator PROXMIRE. Well, of course what we're interested in is whether or not you are getting results. You said that some laws were simply not being enforced.

Are they enforcing the laws now with an even smaller staff?

Mr. ST. CYR. Yes, sir. We are. We would like to——

LANDRUM-GRIFFIN ENFORCEMENT

Senator PROXMIRE. Can you give me an example or two of laws that were not being enforced before and are being enforced now?

Mr. ST. CYR. Well, when you look at the LMS program, Landrum-Griffin enforcement, we had a condition whereby labor unions were being audited about once every 30 years, 24 to 30 years; and some unions in the entire history of Landrum-Griffin had never been audited. That's when we first came in and requested some additional investigators. I think it was 150.

We were ultimately given 75 additional slots and then, in the next year, 18 in order to try and cover the spectrum of activity that's there.

Senator PROXMIRE. You say there were some unions that hadn't been audited in 30 years. Have all of them, or a substantial portion, been

audited recently and, if so, what proportion has been audited in the last couple of years?

Mr. ST. CYR. Dick Hunsucker has the figures.

Mr. HUNSUCKER. My name is Richard Hunsucker. I'm the Director of the Office of Labor-Management Standards Enforcement.

In answer to your question, Mr. Chairman, we have not audited every one. We have been doing 100 to 200, and last year we reached about 1,000.

Senator PROXMIRE. How does that compare with the number of audits in the past?

Mr. HUNSUCKER. It's on the increase. Embezzlement investigations have also increased generally. I think the year before last we did have a somewhat higher number; however, there were other circumstances. We had a special project which involved a large number of very, very small embezzlement cases; financial investigations. The audits have gone up appreciably however.

Senator PROXMIRE. Will you provide for the record the figures showing the number of unions that have still not been audited in 20 or 30 years?

Mr. HUNSUCKER. Yes, sir.

Senator PROXMIRE. Also provide a comparison of the numbers of unions audited in 1983 compared to past years.

Mr. HUNSUCKER. Yes, Mr. Chairman.

[The information follows:]

LANDRUM-GRIFFIN ENFORCEMENT

Between 1959 (when the Labor-Management Reporting and Disclosure Act was passed) and 1983 the following number of financial investigations and audits of labor organizations were conducted:

Financial investigations (1959–65)	1,343
Field audits (1966–83)	2,489
I–CAP audits (1982–83)	23
CAP audits (1980–83)	2,701
Total	6,556

Since we cannot accurately determine how many unions had repeat audits we can, nevertheless, show that 6,556 audits or fewer than 15 percent of the 50,000 plus reporting organizations under the LMRDA have been conducted to date.

REDUCTIONS IN POSITIONS

Senator PROXMIRE. Mr. St. Cyr, last year you requested 131 new positions for the Service and the Congress gave you less than half of that number—31 to be exact. This year you are suggesting that an additional seven positions be cut from your work force.

It would seem Congress exercised good judgment last year in making those cuts. At least your present request would indicate that. What has changed over the past 12 months that makes you think you can do with 87 fewer positions than you wanted at this time last year?

Mr. ST. CYR. Seven less positions. Excuse me.

Senator PROXMIRE. Yes, sir.

Mr. ST. CYR. Seven; that's right.

Senator PROXMIRE. Let me put the question again. This year you are suggesting an additional 7 positions be cut and that would be 87 positions fewer than you wanted last year.

Mr. GERMAN. If I may respond to that, the positions that we are requesting to be cut this year are national office positions, Mr. Chairman, not direct enforcement related, investigator-type positions. The 150 positions we requested last year were very predominantly investigative, field positions; and of the 30 positions we are requesting to offset the minus 37 this year, 20 of those are direct field investigative positions as well.

So that in the aggregate I think you pose a good question. But if you look at the specifics of it, the increases we have requested are of investigative positions in the field, both last year and this year; and the positions we are proposing to cut are in our national office staff, basically administrative management support positions.

Senator PROXMIRE. But there is still a cut in this year's request, in the overall investigative positions that you requested last year. Is that right?

Mr. GERMAN. That's correct. We requested the additional 150 last year and you gave us fewer than that, and we have not come back to repeat that same level of request we presented last year.

CRIMINAL INVESTIGATIONS

Senator PROXMIRE. Now, this is the third year in a row you have requested additional positions for the criminal investigation of union and pension fund activity. What data or studies do you have that show there is any continued increase in the level of violations?

Mr. ST. CYR. Well, Dick, do you want to address that?

Mr. HUNSUCKER. There has been no formal study that I'm aware of by our organization as to the level of violations. However, the additional activity that we have been involved in has achieved more results in the form of indictments, convictions, et cetera.

Mr. GERMAN. I don't believe we contend in the budget, Mr. Chairman, that the level of criminal activity has increased. What we do propose is that our level of enforcement increase.

Senator PROXMIRE. And what you're saying is that even though there hasn't been an increase in criminal activity, that it was inadequately investigated before and that you need more personnel to conduct additional investigations?

Mr. GERMAN. Yes, sir. We do believe we should investigate more.

Mr. ST. CYR. As far as convictions are concerned, in 1983 the convictions increased dramatically over previous years. We had 87 convictions in 1983 as opposed to, I believe, 51 the previous 2 years.

So that the results of our increased enforcement activity have proven out—we have uncovered additional embezzlements.

Senator PROXMIRE. Now, in a document dated March 12, 1982, the Labor-Management Services Administration directed that employer con-

sultant reporting cases that were opened on a basis other than a complaint should be closed.

How many cases were closed as a result of this instruction?

Mr. ST. CYR. Dick, do you have a figure?

Mr. HUNSUCKER. No.

Mr. ST. CYR. Several hundred, I believe.

Mr. GERMAN. We can supply the exact figure for the record, Mr. Chairman, if you will allow.

Senator PROXMIRE. Several hundred cases were closed. We'd like you to supply the exact figure for the record.

[The information follows:]

CRIMINAL INVESTIGATIONS

The March 12, 1982, policy document which arose because of limited resources, a large number of open employer and consultant cases, and numerous competing priorities, instructed investigators to close cases opened on a basis other than a complaint and to give priority to those cases involving issues with legal precedent by closing two types of cases that were untested legally. The total number of cases closed as a result of this policy document is not known. However, the statistics regarding these cases closed only because of a lack of a complaint under this policy reflects that through March 14, 1984, a total of 51 cases have been closed on that basis.

DISMISSAL OF CASES

Senator PROXMIRE. In how many of these dismissed cases have field investigations documented violations of the law?

Mr. ST. CYR. We haven't got that here. We will certainly present it.

Senator PROXMIRE. All right. We want that information for the record, also.

[The information follows:]

CRIMINAL INVESTIGATIONS

The 51 cases closed pursuant to the March 12, 1982, directive included 42 cases where no violation had been established, 3 cases where voluntary compliance was achieved, 3 cases resulting from court action, and 3 where investigation had disclosed evidence of activity which may have been deemed reportable.

VIOLATIONS OF LAW

Senator PROXMIRE. Now, are your field investigators told they cannot proceed, even if they turn up possible violations of law by means other than a complaint?

Mr. HUNSUCKER. Under that policy, Mr. Chairman, that particular program, yes, sir. One of the requirements of the reporting situation where those activities occur—under the policy in question is that there must be a complaint before we go into it.

Mr. GERMAN. A violation in this instance, Mr. Chairman, would be a failure to report.

Senator PROXMIRE. You see, what I'm getting at is whether or not there's an evenhanded approach here to employer—consultants, on the one hand, and to labor unions on the other. It would seem that there's more of an effort to investigate corruption and so forth by unions than by employers.

You seem to doubt that there are different standards.

Mr. ST. CYR. Well, the vast majority of LMRDA is dedicated toward the protection of assets for the workers of the country and auditing of labor organizations. Now, when this administration came aboard we ran into a GAO report that severely criticized the Department of Labor for failing to audit, to investigate unions.

Senator PROXMIRE. Was that a 1980 GAO report?

Mr. ST. CYR. I think the report was 1978 and the resources were allowed to atrophy.

Senator PROXMIRE. Wait a minute. I'm not challenging your investigation of labor union corruption. I think that's fine.

What I'm arguing is that there seems to be an underinvestigation of management's violation of the laws.

Mr. ST. CYR. Well, yes, sir. I was kind of getting to that in a roundabout way. Forgive me, but this bears on the answer. When you come in and you're new management and you look at some of these things—you look at the GAO reports, you look at the history of the program—and you make decisions based on criticisms, in some part your own assessment, talking to your people as to what the problems are.

So we tried to free up, because we have scarce resources, as many resources as we possibly could to address the deficiencies that were obvious to us. One of the deficiencies was that we weren't paying proper attention to auditing unions.

Now, at the same time we had a 200 to 300 case backlog in the employer consultant area so we made the decision to go with complaints only until such time as we reduced our backlog. I think the backlog now is about 80.

Senator PROXMIRE. Let me ask you this. How can you justify the inequity of the 1982 policy of pursuing employer violations only on the basis of complaints and the resultant closing of a number of cases, many of which involved violations already uncovered by the Department?

Mr. ST. CYR. Well, as I said that's why we made the decision to go on the basis of complaints only, so we could reduce the backlog and, at the same time, give more emphasis and more time to an area that we were being criticized for not doing a good job on.

Senator PROXMIRE. It just seems to me it's unusual to drop cases where violations have been uncovered or where there's a reliable newspaper report.

I think I quoted a report from the New York Times the other day. It was a report of violations. You would not act on that report because that does not constitute a complaint. It has to be a direct complaint made to the Department, I take it, before you investigate it?

Mr. ST. CYR. Yes, sir.

Mr. GERMAN. It's not necessarily the case, Mr. Chairman, that in every one of those cases that was opened without a complaint, there was, in fact, a violation. There were circumstances that might or might not have been violations.

Some of them involve rather novel interpretations of the act itself.
Mr. ST. CYR. They're alleged violations.
Mr. GERMAN. Yes.

COOPERATIVE LABOR-MANAGEMENT

Senator PROXMIRE. All right. Last year we increased your Labor-Management Relations Services—LMRS—staff from 49 to 59 and this year you're requesting an additional 8 positions. If we provide the resources you say you need we will have increased your LMRS staff by one-third and the budget by almost three-fourths over a 2-year period.

Last year I asked, for the record, how you would measure the success or failure of the labor-management initiative you were launching with these funds. You responded, and I quote: "There are no baseline data from which to measure such changes. Establishing such data would require delay and would be prohibitively expensive. Nor would there be any effective way of determining that change was attributable solely to this program."

If that's the case, why should we continue to provide increased support for the program at a time when we are trying to sharply reduce the budget deficit and cut spending wherever we can?

Mr. ST. CYR. Well, I think this is one area that is enormously important. I think there is evidence of an improving labor-management climate reflected by numerous cooperative labor-management programs which have been implemented in the automobile and steel, communications, and ancillary industries.

Our "Resource Guide to Labor-Management Relations" lists some 203 corporations, entities, entries representing some 700 or 800 companies where there are examples of labor-management programs and accomplishments reported by the parties.

You know, the results of these programs include reductions in the number of grievances, reductions in the number of grievances referred to arbitration. We are seeing early contract settlements, improved communications between the parties. We are seeing quality improvements, productivity improvements, and cost savings.

I know one major steel company reported to us that as a result of their cooperative program they saved $2 million just in one area from one suggestion. I think there are numerous other stories that strongly indicate that the successes of cooperative labor-management programs are there.

It's a tremendously popular program. We see it all the time. We see the tremendous growth.

We recently came back from Phoenix where we had a conference that we cosponsored with the Federal Mediation and Conciliation Service and the Industrial Relations Research Association that drew over 600 important practitioners from labor, management, Government, and academia. We had Owen Bieber from the United Auto Workers there giving a speech; we had Jack Presser giving a speech; the Secretary gave a speech. It all centered on "America Works When America

Works." That's the kind of activity that we're involved in, helping cosponsor those kinds of conferences.

We're currently having a conference in Ohio. We're going to have one in Illinois and one in Arizona all on mitigating the adverse effects of plant closings by encouraging labor-management committees and labor-management responses to worker dislocation; and we're trying to work with the States and the local governments in order to try and assist them in finding solutions to some of these problems.

Those are just a couple of things that pop in my mind immediately.

Senator PROXMIRE. Well, that's a very good statement. I hope you can have some success in meeting Wisconsin's problems.

Mr. ST. CYR. We'll be happy to work with them.

FISCAL YEAR 1983 LAPSE

Senator PROXMIRE. I have just one other question. Last year you returned about $4.5 million to the Treasury. I'm delighted to see that. I think it's fine. I think the more you can return to the Treasury the better.

On the other hand, that's almost 8 percent of your fiscal 1983 appropriation. It looks as if your estimate was pretty wide of the mark. Why was that?

Mr. ST. CYR. I think good management, in part.

Senator PROXMIRE. Good management or bad estimating? [Laughter.]

Mr. ST. CYR. Well, I like to think it's good management although each year I have to admit we turn back about $4 million.

Senator PROXMIRE. Maybe you ought to cut your budget $4 million.

Mr. ST. CYR. Well, some of the savings we can't forecast. For instance, the special election fund which is almost $1 million—I think it's $910,000—we turned that back. We turned that back last year because we didn't need it.

Mr. GERMAN. That's a contingent amount.

Mr. ST. CYR. That's a contingent amount.

Senator PROXMIRE. That's unique. You're right about that. That's about the only account of that sort.

Mr. GERMAN. It's about a quarter of the LMSA lapse.

Mr. ST. CYR. In the working capital fund, I think we turned back $611,000 there. Telephone, however, $636,000. We tried very hard to control the use of our telephone lines.

We had lines that weren't necessary and that sort of thing that we removed. We had a reduction in space rental or savings in space rental of $228,000. We had understaffing for a portion of the year which generated savings overall of $1 million.

Senator PROXMIRE. You usually have that, don't you?

Mr. ST. CYR. Yes; but we cut back in overtime saving $47,000.

Senator PROXMIRE. Mr. St. Cyr, thank you very much. I see the boss has come. I'm going to get up and I'll move down here.

Senator WEICKER [presiding]. What have you done that has you leaving that seat so fast?

Senator PROXMIRE. We have three excellent witnesses here.

Senator WEICKER. Go right ahead.

Senator PROXMIRE. I'm all through. I want to thank you gentlemen very much. I think you did an excellent job.

Mr. ST. CYR. Thank you, sir.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator PROXMIRE. We have some additional questions that we will be submitting to you for your response.

Mr. ST. CYR. We will be glad to respond to those questions.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Question: LMSA is reducing the number of employees in GS-11 to 15 positions in compliance with the new management initiatives. Yet, the budget indicates that from 1983 to 1985 the number of GS-9's will go from 52 to 91 and GS-11's from 69 to 93. In fact, the only positions being reduced are GS-12's from 316 to 297. Can you explain why there is this overall increase in light of the new policy?

Answer: The implementation of the Presidential management initiatives, designed to eliminate administrative layering and reduce administrative support personnel, will not begin until FY 1985. These initiatives, for LMSA, primarily affect the national office structure as indicated by planned decreases in the total national office employment and a 2% decrease during that year in GS 11-15's. The decreases in GS 11-15 are partially obscured in the budget document because the years 1984 and 1985 also reflect the addition of eighty new positions, primarily field investigators GS 9-11.

Question: As you bring on more GS-9's and 11's, what kind of career ladder is offered?

Answer: All investigator positions are classified as career ladder. This status implies that after one year in time and grade, if performance standards are met, individuals may elevate to the next highest level, up to a GS-12, without competition.

ENFORCEMENT STAFF

Question: Last year, Congress approved 18 new positions for enforcement of the Labor-Management Reporting and Disclosure Act, and 23 new positions for enforcement of the Employee Retirement Income Security Act. How many of these new staff have been hired?

Answer: All additional positions approved by Congress for enforcement of both the Labor-Management Reporting and Disclosure Act and the Employee Retirement Income Security Act have been filled; however, due to the normal attrition in other investigator postions there are a few enforcement vacancies.

Question: What results do you expect to accomplish with these additional resources?

Answer: Virtually all the new positions for Labor-Management Reporting and Disclosure Act (LMRDA) are being directly channeled into two primary enforcement areas: embezzlement investigations and audits. The impact is expected to be quite positive, especially in light of two new audit programs, organizational changes, and other enforcement initiatives which have been implemented during the past couple of years.

More importantly these additional resources will increase the frequency of audits of labor organizations, and enable the Department to pursue a more effective criminal enforcement program than before.

For Employee Retirement Income Security Act (ERISA) one of the highest priorities is strengthening of enforcement activities through greater emphasis on fiduciary and criminal investigations. The additional staff will help increase efforts to insure compliance with ERISA standards by conducting more plan reviews and investigations of potentially abusive practices. The new investigators will allow us to devote more time to criminal investigations which are more time-consuming than investigations of potential civil violations.

CRIMINAL INVESTIGATIONS

Question: This is the third year in a row that you have requested additional positions for criminal investigations of union and pension fund activity. What studies or results do you have to show that the additional positions you already have are not sufficient to maintain your enforcement programs?

Answer: The Senate Permanent Subcommittee on Investigations, in a report dated September 28, 1978, recognized the Labor-Management Standards Enforcement (LMSE) Program's inadequate staffing for effectively carrying out its responsibility. The Subcommittee, in the same report, strongly recommended that the Secretary of Labor determine the additional resources needed to effectively enforce the criminal provisions of the LMRDA, and that DOL increase the number of on-site audits of labor organizations.

There is no question that LMSE's enforcement efforts had been impeded in previous years by declining resources. For example, authorized positions had dropped from 630 in 1975 to under 400 in FY 1982. The number of field investigators had declined 38% over a ten year period. Positions were transferred from the national office to the field to offset some of the lost positions there. Resources had allowed an audit of a union with annual receipts exceeding $10,000 only once every 30 years. Many unions were never audited in the 24 years since passage of the Act.

In FY 1981, there were only 53 staff years available for investigating criminal allegations under the LMRDA, and in FY 1982, only 52 staff years. In both instances the resources were greatly inadequate to carry out our criminal enforcement responsibilities.

Pursuant to the Senate Permanent Subcommittee's report, a resource needs analysis was subsequently undertaken and it was determined that a minimum 150 additional positions were needed to conduct audits of labor organizations on a regular 5-10 year frequency basis, and to investigate the increased embezzlement case activity that would be generated from these audits.

Congress approved 75 of the 150 positions for FY 1983 and 18 positions in FY 1984. Virtually all the new investigative positions have been directly channeled into two primary enforcement areas: embezzlement investigations and audits.

The Department's responsibilities for enforcing compliance with ERISA fiduciary, reporting, and disclosure standards, and related criminal statutes are enormous and growing. Since 1977, the number of pension plans and large welfare plans covered by

title I of ERISA has increased by 63 percent, from 506,000 in 1977 to 825,000 in 1983. The number of participants covered by these plans has grown from 149.5 million in 1977 to 190 million in 1983, an increase of 27 percent. In addition, the amount of plan assets has almost tripled from $326 billion in 1977 to $900 billion in 1983. Because of general budget reductions in 1982, the number of investigators allotted to PWBP decreased from 232 in 1981 to 202 in 1982.

In 1983, the Department, with Congressional support and with the approval of the Department of Justice, restructured its enforcement strategy to increase its emphasis on investigating criminal allegations. Since a criminal investigation is substantially more time consuming than an investigation of a civil matter, the total number of plans reviewed by the Department has dropped since that time. Therefore, although we have a more balanced enforcement program, the likelihood of any one plan being reviewed is such that the "deterrent presence" of the Department could be perceived as weakening.

In 1982, the program established the goal of reviewing one percent of the universe of covered plans. (The Internal Revenue Service goal for auditing taxpayer returns at that time was two percent.) In order to achieve that goal, considering the growth in the plan universe, the program would have to review over 8,000 plans each year. Currently we are able to review roughly 2,200 plans or between 1/4 and 1/3 of one percent of the universe of plans. The 23 additional positions we received in FY 1984 and the 10 additional positions we are now requesting for 1985, will permit us to increase our investigation of criminal allegations while keeping the total enforcement presence at roughly the same level.

Since the Department has less than a full year of experience under the new program of criminal investigations, we have not yet developed extensive data regarding the success of our efforts. However, we do feel that many of the investigations currently under way will result in convictions and the removal of unscrupulous individuals from positions where they are in control of plan assets.

EMPLOYER AND CONSULTANT ENFORCEMENT

Question: In Fiscal 1983, you assigned less than one investigator year to employer and consultant enforcement of labor-management reporting laws, compared to more than 16 staff years in fiscal 1980. What staff and resources will be assigned to carry out these important statutory responsibilities in Fiscal 1985?

Answer: Resources specifically related to employer-consultant cases for FY 1985 will be determined within the next few months during the annual program review process.

CLOSING OF EMPLOYER-CONSULTANT CASES

Question: In a document dated March 12, 1982, the Labor-Management Services Administration directed that employer-consultant reporting cases that were opened on a basis

other than a complaint should be closed. How many cases were closed as a result of this instruction?

Answer: The March 12, 1982 policy document arose because of limited resources, a large number of open employer and consultant cases, and numerous competing priorities. The document instructed investigators to close cases opened on a basis other than a complaint, cases involving so-called "indirect contact" theories and cases involving "split income" theories. Statistics are not readily available on the total number of cases closed in all case categories. However, records do indicate that the number of cases closed, without a complaint basis, was 51 through March 14, 1984.

Question: In how many of these dismissed cases had field investigations documented violations of the law?

Answer: The 51 cases closed pursuant to the March 12, 1982 directive included 42 cases where no violation had been established, three cases where voluntary compliance was achieved, three cases resulting from court action, and three where investigation had disclosed evidence of activity which may have been deemed reportable.

Question: Are your field investigators told they cannot proceed, even if they turn up possible violations of law by means other than a complaint?

Answer: On March 12, 1982, a notice was sent to all Labor-Management Services Administration investigators detailing policy guidance on employer and consultant reporting cases at the direction of then Assistant Secretary Donald Dotson. Because of limited resources, the large number of open employer and consultant cases, and numerous competing priorities, the notice instructed investigators to close cases opened on a basis other than a complaint and to close two types of cases that were untested legally.

It should be noted that fewer than 2% of all union embezzlement cases are opened on the basis of newspaper articles or anonymous tips, so it is extremely unlikely that the failure to open employer and consultant cases on the basis of those sources has resulted in any significant number of cases not being opened.

Question: Why don't you initiate investigations in this area, similar to your practice of initiating investigations in other areas such as embezzlement cases?

Answer: Embezzlement investigations are initiated mostly through complaints and periodic audits of labor organizations. Fewer than 2% of all union embezzlement cases are opened on the basis of anonymous tips, newspaper articles, etc. Likewise, employer-consultant cases are initiated mostly through complaints, though some have been initiated through NLRB reports, news media reports and other sources.

Section 203 of the Labor-Management Reporting and Disclosure Act of 1959, as Amended, which applies to employer-consultant reporting, is a complex, and ambiguous provision with little established case law. Investigations of alleged section 203 violations are difficult and time-consuming because in order to show

that consultant reports are required under section 203(b), it is necessary to prove that persuasive activities occurred and that the activities are not covered by the "advice" exemption in section 203(c).

Enforcement of section 203 must compete with enforcement of other provisions of the LMRDA for allocation of LMSA's limited investigatory resources. To initiate investigations in this area, so as to achieve a significant increase in the number of consultant reports obtained through enforcement action, it would be necessary to decrease the available investigatory staff allocated to high priority auditing and embezzlement cases.

LABOR-MANAGEMENT RELATIONS SERVICES

Question: You are asking for 10 additional staff to expand your activities in the area of cooperative labor-management programs. What specific activities do you plan to undertake?

Answer: The additional resources will enable us to expand our present level of activities in the area of labor-management cooperative programs and to assist us to better meet the needs of our constituents. Specifically, the resources will allow us to:

- Continue co-sponsorship and sponsorship of national, regional, and local conference and symposia. These conferences and symposia create public forums for dialogue on the changing nature of labor-management relations and the diffusion of knowledge and experience about efforts towards labor-management cooperation. Currently underway is a regional symposium effort which brings together labor, business and third party leaders in a particular geographic area to explore significant issues about labor-management cooperation and how it may be fostered in their region. In addition, we will be conducting industry-specific efforts to assist the parties in meeting the challenges in their particular industries.

- Expand the current program of services and information through the development and dissemination of publications and pamphlets on various aspects of labor-management cooperation of interest to practitioners in the field. Specific publications may include: how-to information, case studies, research reports and monographs on pertinent issues.

- Enhance the current education and training efforts by further developing education and training materials for unions, management and other organizations. The program will include seminars and materials which will enhance the capability of union and management officials to tailor and administer their own programs. These materials will be developed for high flexibility which will meet most education and training needs. Included will be an introductory course on labor-management cooperation, four separate training modules on cooperative programs, and a combination of the above for maximum flexibility. Training films will

also be developed and will be integrated into the overall training and education program.

- Begin institution-building through extensive outreach efforts to trade associations, academic institutions, productivity and quality of work life centers, international unions and other non-profit providers to encourage and assist them in reaching their constituencies on the issues of labor-management cooperation. To the greatest extent possible the emphasis is on the establishment of an indigenous capacity in these institutions to reach as broad a constituency as possible.

Question: What impact do you expect to have on improving productivity of American industry?

Answer: Although there are no base line data from which to measure our program's impact, we view our program in the context of its potential for improving the overall labor-management relations environment which we believe will have an important impact on productivity levels of American industry. Equally important, we believe, are the benefits to be derived from direct employee participation in the way work is accomplished. Worker participation can increase productivity by affecting the quality of goods and services, reducing waste and re-work levels, and by reducing employee absenteeism and turnover, all central to the competitiveness and productivity of an organization. We believe our program is making an important contribution in this area. To the extent that the parties actually move away from the traditional adversarial ways and adopt more cooperative relationships for addressing their common interests, we believe, will evidence the success of our efforts. We caution, however, that it is not realistic to expect rapid abandonment of models of behavior that have served well for decades. There is, however, substantial evidence that our industrial relations environment is changing and we believe we must build for and expect to await long term results.

Question: How much do you now spend on research in this area, and how would you use the $550,000 increase requested for contract research in fiscal 1985?

Answer: In Fiscal 1984 we have a contract budget of $250,000. In Fiscal 1985, the thrust of our activities in labor-management cooperation will continue to be towards improving productivity and our international competitiveness. The proposed increase will allow us to direct our research efforts toward the critical human resources element in productivity and technological change. We may examine how industrial relations can play a role, what workers can do in cooperative arrangements, and the impacts, in turn, that productivity and technological change, and particularly cooperative programs, have on workers and industrial relations institutions. Further, we ought to delineate the factors that facilitate and impede the growth of cooperation programs to help our technical assistance efforts.

COMBINING AGENCIES

Question: Now that the Labor-Management Services Administration is no longer responsible for Veterans' Re-employment Rights and Pension and Welfare Benefit Prorams, its budget will be less than $32 million, about half of its fiscal 1984 level. Would it be cost-effective to combine the remaining functions of the Labor-Management Services Administraton with the Employment Standards Administration?

Answer: As with any possible merger, there are many variable factors which must be considered in order to maintain maximum efficiency, stability of the work force and to insure continued successful operation of agency responsibilities. Among the major factors to be considered are: organizational structures of the Agencies; size and program characteristics; duplication of effort; and, cost-effectiveness. Analysis of these factors would be the basis for deciding the feasibility of combining the remaining functions of the Labor-Management Services Administration with the Employment Standards Administration, or combining a part of the Employment Standards Administration into the Labor-Management Services Administration, or the feasibility of reconstituting the remaining functions of the Labor-Management Services Administration as a separate Agency.

EMPLOYEE INCENTIVES UNDER LMRDA

Question: Do you have an incentive system for employees to emphasize some kinds of program objectives over others?

Answer: There are any number of incentive systems for outstanding employee performance, but no specific system exists whereby employees are rewarded regarding some kinds of program objectives over others.

Question: Are staff rewarded -- either in terms of performance evaluation or otherwise -- for finding certain types of Labor-Management Reporting and Disclosure Act violations?

Answer: LMSA employees are evaluated on their overall work performance rather than on the results and outcomes of certain case types.

OFFICE OF PENSION AND WELFARE BENEFIT PROGRAMS

Question: You indicate in your prepared statement that you expect to complete the establishment of a separate pension office reporting directly to the Secretary by May, 1984. Could you please outline how the realignment of the pension program will strengthen the administration and enforcement of the pension law?

Answer: By separating the Office of Pension and Welfare Benefit Programs (OPWBP) from the Labor-Management Services Administration (LMSA), enforcement of ERISA will have greater prominence within the Department. This will result in increased access to the Secretary and more efficient operations. A major change resulting from the separation is that for the first time,

the field enforcement staff is under the direct supervision of the Administrator of OPWBP. Increased control and communications in this area should have a very positive effect on enforcement of ERISA.

Question: Will it cost any more money to make the Office of Pension and Welfare Benefit Programs a separate agency within the Labor Department?

Answer: We believe that no additional costs will result from separating the two agencies. In FY 1985, the total budget for the two agencies will remain the same. Some staff may be transferred from LMSA support activities to OPWBP thereby increasing the OPWBP total expenditures. We are working toward reducing overhead by reducing layers of review and therefore hope to strengthen program performance.

Question: Do you plan to submit an amended budget request to create a separate appropriation account for this agency?

Answer: We are not requesting any changes to the appropriations account.

POLICING INVESTMENT OF PENSION ASSETS

Question: Your budget justification (page LMSA-20) indicates that there are currently $560 billion in private employee benefit plans, which is expected to grow to $3 trillion by 1995. In view of the staggering growth in pension fund assets, can you adequately police this area to ensure that the funds are not being mismanaged?

Answer: I have recently established a task force to evaluate all aspects of the Department's ERISA enforcement efforts. This task force is composed of senior level officials from the Office of Pension and Welfare Benefit Programs, the Office of Inspector General and the Office of the Solicitor. The task force will be reviewing results achieved to date, case targeting, organizational structures and relationships, adequacy of training, ADP utilization, and resource allocation. A report is due in 90 days. Once I receive this report, I will be better able to assess our abilities to adequately police the activities of pension and welfare plans.

KEEPING CITIZENS INFORMED OF PENSION LAWS

Question: What services does the Department of Labor provide to participants and beneficiaries of pension plans in regard to informing them of their rights and protections under the pension law?

Answer: The Department produces and distributes various publications, audiovisual presentations, and articles which are designed to educate and inform private pension plan participants and beneficiaries of their rights and protections under ERISA. The Department has developed and made available for public

broadcast and viewing a series of special video presentations that focus on various common problems in connection with private pension plans.

Question: Does the Department assist individuals with any questions or disputes they may have concerning their pension plan?

Answer: Yes. The Department answers both written and telephonic inquiries from the general public as well as inquiries sent to us on behalf of the general public by members of Congress. The Department also answers written and telephonic inquiries received from pension and welfare plan practitioners.

A Benefit Recovery Program has been in effect since March 1980 and has proven highly successful in resolving hundreds of disagreements, encouraging voluntary compliance, and recovering significant sums of money on behalf of plan participants and their beneficiaries.

Additionally, the Department has assisted large numbers of plan participants and beneficiaries in obtaining plan documents and other information vital to their interests, after their own efforts had failed. This information has enabled plan participants to make wiser decisions with regard to their personal financial planning.

Question: Does the Department get involved with disputes over pension eligibility or benefit amounts?

Answer: The Department does become involved in the areas of pension eligibility and benefit amounts principally in our Benefit Recovery Program. One way this is done is by direct contact with plan administrators for the purpose of securing an explanation with regard to how a benefit was determined, or for us to explain why, under the law, no benefit would be forthcoming. An example of an instance where the Department might become involved with benefit amounts is where the correct percentage of vesting allocated to an individual account in a plan is being disputed.

Question: Exactly what is the Department's responsibility under the law to provide consumer-oriented programs or services?

Answer: Section 502 of the Act provides that the Secretary of Labor may bring a civil action to recover benefits due to a participant or beneficiary under the terms of his plan or to clarify his rights to future benefits under the terms of the plan. Generally, the Department has been successful in resolving benefit disputes without seeking legal remedies.

In addition, Section 106 of the Act requires that the Secretary make the content of all reports available to the public. The Department, therefore, maintains a public disclosure room where all forms and documents filed with the Secretary are available to plan participants and other members of the public.

Question: Please provide for the record the LMSE Enforcement Strategy Document for FY 1984.

Answer: LMSE did not issue a revised LMSE Enforcement Strategy Document for FY 1984. Instead, the FY 1983 Enforcement Strategy continues in force. A copy is enclosed.

LMSE ENFORCEMENT STRATEGY DOCUMENT

CHAPTER 1

INTRODUCTION

1.1 Purpose and Scope of Enforcement Strategy

Congress enacted the Labor-Management Reporting and Disclosure Act of 1959, As Amended (LMRDA), Title VII of the Civil Service Reform Act (CSRA) and the Foreign Service Act (FSA) to provide for proper handling of union funds, the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards for the election of union officers, and for other purposes.

The Office of Labor-Management Standards Enforcement (LMSE) plans, administers and directs the enforcement of those provisions of the LMRDA, CSRA and FSA for which the Secretary of Labor has responsibility. An overall enforcement plan is necessary, and full coordination and cooperation between national office LMSE and the field staff are essential to achieve an efficient and effective enforcement program. This strategy document has been prepared with those objectives in mind. Specifically, it prescribes priorities and levels of program importance, allocates time and assigns program responsibilities to participating national office and field units, and provides for increased program oversight and accountability. It may be revised when necessary.

CHAPTER 2

PROGRAM DIRECTION AND GUIDANCE

2.1 National Office Guidelines on Resource Expenditure and Priorities

Increased demands for accountability concerning the use of LMSE resources in safeguarding union funds makes this aspect of the program a matter of great importance and high priority. LMSE is strongly committed to achieving an effective criminal enforcement program and has established audits and criminal investigations as the highest priority after the statutorily mandated election program. Although the number of audit and embezzlement cases completed is a budget consideration, LMSE emphasis must be directed to working those criminal investigations with high potential for criminal prosecutions.

To provide program direction, guidelines have been established for the allocation of time by program case type and the overall priorities applicable to each group. Priorities are based on case types of greatest importance and emphasize resource distribution for maximum enforcement results.

For FY 1983 there are three significant changes. Time allocation is increased for higher priority activities such as embezzlement investigations and financial audits. Case types are regrouped to provide more operational flexibility at the Area Office level, particularly in regard to the appropriate mix of embezzlements and Compliance Audits.

For the first time the allocation of LMSE production time relates to all program activities, including election investigations, supervised reruns, trusteeship investigations, and auxiliary case work. These changes are designed to improve planning, emphasize accountability and minimize the impact of election work on criminal investigations and audits.

Allocations are expressed as a percentage of total production time which includes all case time, technical assistance and inquiry handling. All production time will be allocated as follows:

Program Activity		Percentage of Time	
		Base	*Enhancement
Embezzlement Investigations) Compliance Audits (CAP)) Int'l Compliance Audits (I-CAP) Field Audits) Special Investigations) Auxiliaries)	(minimum)	50%	
Election Investigations) Supervised Elections) Trusteeship Investigations) Election Auxiliaries)	(maximum)	40%	
Union Officer and Employer Consultant Investigations) Basic Investigations) Delinquent Investigations) Deficient Investigations) Technical Assistance/Inquiries)	(maximum)	10%	

*Additional staff years resulting from an anticipated FY 1983 staffing enhancement are to be used exclusively for audit and embezzlement work, consequently, workload percentages would change in all categories to reflect the increase in staffyears allocated to embezzlements and audits.

For the high priority activities (embezzlements and audits) the percentage indicated is the minimal to be attained. The percentages for the two other program activity groups are maximums; time not utilized for these programs should be applied to embezzlement and audit work.

All percentages will be attained on a regional basis and ultimately on a national basis. This way regional administrators are given sufficient flexibility to operate more effectively within their respective regions. Each region will adjust resources between embezzlement investigations and audits in an appropriate mix, based on such factors as, total number of labor organizations, established cyclical frequencies of audits, and embezzlement case backlog. However, embezzlement casework will always be assigned first priority in the event the statute of limitations or backlogs are factors, and field managers will adjust resources between audits and embezzlement investigations accordingly. At the discretion of area offices, field audits may be substituted for CAP audits. In addition, during FY 1983, each Region will be responsible for completing one I-CAP with assistance from the National Office.

Election investigations and supervised elections which have statutory time constraints and are often labor intensive will periodically cause interruptions and delays to other programs. To minimize the impact on other enforcement programs, LMSE is exploring possible alternative methods to handle election work. In the interim, field managers must manage election work resources more efficiently by effective case planning, insuring that the staffdays expended are

consistent with the complexity of the case issues, and by closer case supervision.

Regional and area office managers must insure that resources are utilized in accordance with the time percentages established; they are expected to respond to and manage exceptions when the guidelines cannot be attained because of specific area office situations. Deviations from the guidelines may be granted by the regional office. For example, certain Area Offices may have to exceed the maximum time for election activities in which case exemptions will be granted by the Regional Office. However, regions are expected to attain the time percentages unless the national office authorizes exceptions.

Technical Assistance is important for the long term prevention of violations; however, resources will be devoted to these efforts by investigators only to the degree time is available. Regional staff and Area Administrators are expected to assume the major role in conducting Technical Assistance activities.

Area offices are responsible for allocating investigators' time to cases in accordance with the guidelines and priorities established for the LMSE program. Periodically, occasions or situations will arise when an area office may be prevented from following the guidelines and priorities. The region will initially attempt to resolve any such deviations and will consult with the National Office only in the event region allocations of time and priorities are affected.

2.2 LMSE Compliance Manual

The Division of Compliance and Enforcement (DCE) will accept and process suggested manual corrections, make needed changes, and resolve problem areas, etc., submitted by the field and national office staff. Area and regional office personnel are encouraged to submit to DCE suggestions for improvements, additions and deletions.

The LMSE Manual provides procedure guidance on all general and specific program activities. Details concerning how the field offices are to conduct their work are covered in the Manual. Manual procedures will be followed in all routine situations. Cases and investigative situations that are not covered by Manual procedures should be addressed to area and regional supervisory personnel and then, if necessary for clarification and guidance, to the Branch of Elections and Trusteeships (BET), Branch of Criminal Investigations (BCI) or Branch of Audits (BA), as appropriate.

2.3 Communication Responsibilities

Good communication between the field offices and the national office is essential. Means to improve dialogue is a joint responsibility, and should include such activities as:

1. Visits to the field by the Director, such as attending regional management and/or LMSE track supervisors' meetings;

2. Quarterly ARA/LMSE meetings to discuss priority cases, problem areas and enforcement strategy implementation;

3. Annual managers'/supervisors' conference;

4. Periodic staff visits by DCE personnel to discuss enforcement policy (in concurrence with OFO);

5. Formation of occasional work groups comprised of national office and field personnel to examine specific areas aimed at increasing program effectiveness; and

6. Regular updating of a directory of national office and field office personnel.

DCE, through BCI, BET and BA, will be the "clearinghouse" for enforcement-related information which an area or regional office feels has potential for distribution to other offices. The BCI, BA, and BET, respectively, will review and evaluate the information and distribute it to the field upon approval of the Assistant Director, DCE.

Following are examples of items which the field is encouraged to submit to BCI, BA and BET:

1. Investigative techniques which an area office finds helpful;

2. Unusual problems encountered during an investigation which are solved by imaginative investigative techniques;

3. Encounters or experience which would improve the effectiveness of the CAP;

4. Reference materials which an area office finds useful for enforcement and audit purposes.

CHAPTER 3

ENFORCEMENT ACTIVITIES

3.1 Specific Enforcement Functions

Outlined below are tactical investigative approaches utilized by LMSE. Investigative case handling procedures and techniques will be adjusted, as the need arises, to improve quality and increase productivity and effectiveness. LMSE has also developed new initiatives and programs to strengthen LMRDA audit and criminal enforcement activities.

3.2 Elections and Reruns (Title IV-LMRDA)

LMSE must investigate all timely filed Title IV - Elections complaints and must decide whether or not to file a civil action within the 60 days mandated by the LMRDA. The field office of jurisdiction must investigate and submit a report of investigation and recommendation within 30 days. Additional investigation required by the national or regional office must be completed within the time specified. BET reviews reports of investigation and, after obtaining the views of the Office of the Solicitor, recommends action, as appropriate, for disposition of the complaint. Case review, any additional investigation and, if warranted, the filing of a civil action, must be accomplished within the remaining 30 days of the 60-day period.

The 60-day deadline may be waived by agreement between the Secretary and the labor organization. Waivers are sometimes necessitated by the labor organization's circumstances, by the need for additional investigation, and, more importantly, by the prospect of voluntary compliance. However, as a matter of policy, resort to waivers should be minimal.

On the other hand, every effort should be made to obtain voluntary compliance, i.e., the union's agreement to conduct a new election of officers under the supervision of the Secretary, or its agreement to take other appropriate corrective action. Voluntary compliance agreements may be obtained by the field offices with national office approval, or by the national office itself. In cases resolved either by litigation or voluntary compliance, BET prepares an agenda for the new election. The field office of jurisdiction usually supervises the election, insuring conformity with the Act, and observing the labor organization's constitution to the extent practicable. Normally, this will be accomplished within 90 days from the date of settlement or as specified by the court.

CSRA, unlike LMRDA, does not mandate action on election complaints within a specified number of days. However, these cases also require prompt action. Therefore, field offices and the national office must strive to meet LMRDA standards in handling CSRA cases. Supervised elections under the CSRA follow precisely the same schedule as private sector cases and therefore should be completed within 90 days of settlement or in conformity with the ruling of an administrative law judge.

3.3 Delinquent Reports (Title II, Section 201-LMRDA)

Delinquency contacts with labor organizations which have not filed their annual financial report LM-2 or LM-3 are initiated by the Branch of Technical Assistance and Disclosure (BTAD) 90 days after the organization's fiscal year ending date. At that time, computer-generated notices are mailed. If a response is not received, letters are sent providing an assistance telephone number and a change of address form in the event that officers have changed. Necessary action is taken to verify and obtain corrected addresses, ascertain the reason for delinquency, and secure the delinquent reports.

BTAD will continue its program to develop cooperative arrangements with all national/international union headquarters in order to obtain accurate addresses and to ensure that their affiliates file on time. The contacts to establish such working relationships are at the union secretary/treasurer level and make use of computer listings which reflect reporting history.

Only if contact with the labor organization indicates possible violations other than the delinquency or if the delinquent report cannot be obtained through these means, will the case be referred to the field for investigation.

In summary, it is anticipated that centralized processing of delinquency cases combined with contacts with national/international union headquarters on a regular basis will result in reduced delinquencies and timely reporting. Field involvement with this low priority program will be minimal. Some cases will have to be referred to SOL for enforcement.

3.4 Deficient Reports (Title II, Section 201-LMRDA)

Annual financial reports received from labor organizations are closely scrutinized for reporting deficiencies. The non-financial information is analyzed in BTAD, letters are prepared on deficiencies, and follow-up correspondence and telephone calls are initiated to obtain the required data.

The financial data undergoes a series of edits resulting in computer-generated referrals to the Branch of Audits. Based on a computer priority selection system related to both the type of deficiency and the deficiency amount, desk audits are conducted. Letters requesting corrected information or amended reports are prepared and follow-up action taken, if required. Organizations that do not satisfactorily explain deficiencies, or those which submit reports indicating potential violations are forwarded to the field for possible compliance audit, field audit or other investigation, as appropriate.

3.5 Field Audits

Area offices initiate audits of the books and records of labor organizations to uncover criminal or civil violations of the LMRDA. Interviews and third-party verifications are an integral part of this program. Area office investigators handle field audits in accordance with the LMSE Manual. The objectives of field audits are to:

1. Verify the accuracy and completeness of the Labor Organization Annual Report;

2. Determine the accuracy of the financial records;

3. Determine adequacy of bonding; and

4. Ascertain compliance with all other LMRDA provisions pertaining to reports, documents and union financial operations.

3.6 Basic Investigations

Copies of Agreement (Title I, Section 104-LMRDA)

Cases are generated by complaints of employees and union members who are denied copies of or the right to inspect collective bargaining agreements which affect them. Area office investigators process these cases in accordance with the LMSE Manual. Generally, these complaints can be resolved promptly by telephone.

Union Reports (Title II, Section 201-LMRDA)

Area offices conduct investigations--self-initiated or complaint based--to determine if an entity is a labor organization, as defined by the LMRDA, that is required to file reports. Investigations are conducted in accordance with the LMSE Manual. If voluntary compliance is not achieved, the case is prepared and forwarded to the SOL for enforcement action.

Bonding (Title V, Section 502-LMRDA)

The LORS System has the capability of inspecting annual financial reports and computing bonding requirements based on beginning assets plus receipts to determine the adequacy of bonding. Based on these computer edits, BA will analyze labor organization annual reports for possible bonding violations. If possible violations are uncovered, BA initiates correspondence with the reporting organization to ensure proper bonding or, if appropriate, refers these problems to the field for case opening. Alleged violations of the bonding provisions may also originate in the field from complaints. Bonding violation investigations will be conducted by the field in accordance with the LMSE Manual.

Loans (Title V, Section 503-LMRDA)

Area offices conduct investigations to determine if labor organizations have made loans to any officer or employee in excess of $2,000.00. Cases are initiated on the basis of complaints, results of other LMSE investigations, or national office computer analysis. Investigators process these cases in accordance with the LMSE Manual, and as appropriate, refer willful violations to the Department of Justice (DOJ) for criminal prosecution.

Parole Commission Exemptions (Title V, Section 504-LMRDA)

Union officers and employees convicted of a crime listed in LMRDA Section 504 are prohibited from holding union office or employment for a five-year period. The convicted party may petition the Parole Commission of the DOJ which has authority to terminate the prohibition following an administrative hearing. Prior to the hearing, the Parole Commission requests a comprehensive investigation of the background and behavior of the petitioner. Area office investigators conduct these investigations, frequently on short notice with time limitations, in accordance with LMSE Manual provisions.

3.7 Embezzlement Investigations (Title V, Section 501(c)-LMRDA)

Criminal investigations involving embezzlement of union funds are the main thrust of LMSE enforcement. The LMSE Manual outlines specific investigative requirements and techniques. Area offices open cases on the basis of:

1. Specific complaints from members, officers, etc.;

2. Intelligence information such as referrals from other agencies, newspaper articles, etc.;

3. National office computer analysis and/or desk audits of annual financial reports;

4. Other LMSE investigations such as field audits or compliance audits (CAP) and international compliance audits (ICAP); and

5. Surety company reports.

Area offices will expeditiously conduct a preliminary investigation and promptly obtain investigative jurisdiction from the U.S. attorney. Timely and aggressive investigation, and coordination with an Assistant U.S. Attorney will prevent costly over-investigation in those instances where prosecution is not warranted. Periodic discussions with an assistant U.S. attorney should help to conduct an effective investigation and such discussions may lead to federal grand jury involvement.

As part of new initiatives and emphasis on detecting and deterring criminal activity involving union assets, LMSE is emphasizing an "Embezzlement Case Development" program. This program is being developed and coordinated by BCI and the ARAs and designed to improve LMSE's ability to uncover embezzlement and other criminal activity through periodic contacts with surety companies, international union auditors, etc., and by regular, systematic evaluation of all available criminal intelligence in the national and field offices.

3.8 Union Officer/Employee, Employer, Consultant Reporting (Title II-LMRDA)

Union officers and employees, and employers and consultants who perform activities and/or make payments specified in Title II, Sections 202 and 203 are required to report such activities or payments. Area offices conduct investigations to determine reporting compliance, primarily on the basis of complaints. Civil or criminal legal action can result if voluntary compliance is not achieved. The BCI reviews and analyzes these cases and either closes or recommends to the Director LMSE cases to be referred to the Solicitor or the DOJ for civil or criminal action.

3.9 Trusteeships (Title III-LMRDA)

Trusteeships imposed upon a subordinate body by a national/international labor organization are presumed valid during their first 18 months and they are investigated by area offices only upon receipt of a complaint. These complaints are not subject to Congressionally mandated time deadlines but they are to be given priority by the field. The national office attempts to review and analyze trusteeship reports of investigation on the same schedule applied to election cases, i.e., within 30 days of receipt.

3.10 Compliance Audit Program (CAP)

The Compliance Audit Program (CAP) was initiated on a nationwide basis in FY 81. Selection of labor organizations will be either at the discretion of the Area Administrator or from National Office targeting sources. Area office investigators will handle compliance audits in accordance with the LMSE CAP Handbook, which was issued on April 1, 1982. The primary objectives of the CAP are to:

1. Uncover Section 501(c) violations (embezzlements);
2. Detect any other criminal or civil violations of the LMRDA;
3. Create a visible enforcement presence in the labor community; and
4. Provide effective technical assistance to union officials to reduce the number of future violations.

In order to maintain and improve the quality and consistency of the work product under the CAP, all closed cases are reviewed by the Branch of Audits through the use of uniform CAP Quality Standards. The results of these reviews are referred to the Regional Administrators on a quarterly basis.

3.11 International Compliance Audit Program (ICAP)

Another important enforcement activity is the I-CAP. The I-CAP was developed during the fourth quarter of FY 1981 and, was tested by the National Office during FY 1982. During FY 1983, the I-CAP will be integrated into LMSE on a nationwide basis.

The I-CAP, which is based on the CAP concept, is applicable to the national headquarters of labor organizations and provides a quick discovery method of testing and evaluating the union's compliance level with criminal and civil provisions of the LMRDA. The I-CAP has five primary objectives which are to:

1. Determine the level of compliance with criminal and civil provisions of the LMRDA;

2. Establish an enforcement presence at the national/international union level;

3. Review the relationships between the parent and subordinate bodies and to determine, to the extent possible, subordinate union compliance with the criminal and civil provisions of the LMRDA;

4. Provide LMRDA technical assistance; and

5. Increase program communication between LMSE and international unions.

CHAPTER 4

PUBLIC EDUCATION AND TECHNICAL ASSISTANCE

4.1 Purpose

The LMSE public education and technical assistance program is designed to reduce violations of the LMRDA and the CSRA Standards of Conduct and promote voluntary compliance by making available current information on the provisions of the laws, applicable regulations and interpretations, and significant judicial and administrative rulings. The ultimate objectives are to (1) reduce the need for investigations and remedial actions, and (2) encourage union members to exercise their rights under the laws.

The program's first priority is to furnish information and technical assistance to the three major groups directly affected by the LMRDA and CSRA: union members; union officers; and under the LMRDA, employers and labor relations consultants. The second priority is to provide information to the general public, the news media, educational institutions, government agencies, and other interested persons. Specific procedures used to carry out these priorities include:

1. Initiating contacts with unions and union members to explain their rights and responsibilities, and the law's relationship to other federal labor legislation;

2. Providing union members with information to help them to more effectively participate in the management of their union through full use of their reporting and disclosure rights;

3. Responding to requests for general information on the LMRDA, CSRA and FSA;

4. Responding to inquiries concerning the applicability of the law to specific situations;

5. Assisting union officers in developing and implementing union administrative and officer election procedures that are consistent with the provisions of the law; and

6. Initiating contacts with the business community, law firms, and labor relations consulting firms to advise them of their reporting obligations under the LMRDA.

4.2 Scope of the Program

The program involves both national office and field personnel. Since the amount of time allocated to technical assistance is limited, the technical assistance program will be augmented by the AAs, Track Supervisors, and ARAs in the field (as determined by RAs) and by the national office. Basic elements of the program are responding to public inquiries, initiating direct contacts with interested parties, and informing the public through the use of publications.

4.3 Responding to Public Inquiries

Inquiries are received by way of letters to the Department, referrals from the White House and other executive agencies, Congressional inquiries on behalf of constituents, phone calls and in-person requests. Responses to inquiries may include copies of pertinent LMSE publications and/or reporting forms. Referral information is also provided for inquiries that do not pertain to the LMRDA or the Standards of Conduct provisions of the CSRA.

To help LMSE national office and field personnel respond to inquiries, the national office prepares periodic news bulletins containing summaries of court decisions and other information pertaining to union activities covered by law; an annual report (also available to the public) summarizing compliance and enforcment activities; and related information on Congressional committee hearings.

4.4 Group Meetings and Other Direct Public Contact

Group technical assistance activities are carried out by both field and national office personnel. The activities include: (1) making speeches, maintaining display booths, distributing publications, and giving personal assistance at conventions, conferences, and meetings of national, regional, state, and local labor organizations; (2) giving instructions at university-sponsored classes for union members and officers; (3) presenting talks on LMRDA employer and consultant reporting requirements at sessions with management groups; (4) participating in panel discussions or radio and television broadcasts; (5) sponsoring and participating in clinics and workshops for unions dealing with special reporting problems or other technical aspects of the law; (6) participating in seminars, in cooperation with other law enforcement agencies; and (7) cooperating with other federal labor agencies in programs designed to explain the federal government's overall scheme for labor-management relations regulation.

The national office also develops slide/sound presentations, suggested speeches, visual displays, and other material for use by the field. The national and field offices provide training and technical assistance to familiarize personnel of other government agencies with the provisions and administration of the law. CAP and ICAP also play major roles in the field technical assistance program by providing technical assistance to union officers and employees. In FY 1983 the National Office will increase contacts with International Union headquarters to provide enforcement related technical assistance in areas such as bonding, trusteeships, and reporting.

Most LMSE technical assistance efforts have been aimed at union officers because they are more accessible, and because they are the official spokesmen for the union. This approach, however, does not always serve the second goal of the program, i.e., educating union members about their rights. As part of its technical assistance strategy, LMSE will continue to explore several alternatives for reaching

union members including LMRDA posters for post office bulletin boards, union bulletin boards, libraries, etc. and techniques to have every labor organization inform its members concerning the provisions of the LMRDA, as required by Section 105 of the LMRDA.

4.5 Production and Distribution of Educational Publications

Materials such as pamphlets, booklets, and reprints of the law and DOL regulations are developed by the national office with field office assistance and issued to the general public through all LMSA offices and the Government Printing Office. The national office develops and maintains mailing lists for distribution of new publications, and coordinates other mass distribution, as appropriate. Availability of materials is publicized through press releases by the LMSA Information Office, and by letters to affected groups, and, budget constraints permitting, through a periodically updated mail flyer list of publications with order form to be mailed to several thousand individuals and groups such as officers of national unions and state and local central bodies, labor educators, universities, and the labor press.

Publications include the official text of the LMRDA, a Spanish translation of the LMRDA, reprints of regulations, and several other easy to read pamphlets explaining the LMRDA and CSRA. The national office monitors the stock of publications, coordinates distribution and the filling of large orders, and prepares reprints and revisions as needed. In addition, the national office also sends a set of publications to each new LM-1 filer.

Two new publications will be distributed in FY 1983. "Union Investigations Under the LMRDA" sets out general LMSE policies regarding investigative procedures, and "Reports Required" is a Spanish translation of another current LMSE publication.

4.6 Branch of Election Assistance (BEA)

To deter costly nationwide investigations and supervised election reruns, LMSE established the BEA in the national office to advise and assist national and international unions to voluntarily comply with the election and trusteeship requirements of the LMRDA, CSRA and FSA. The BEA program is an integral part of LMSE's administration and enforcement efforts which encourage voluntary compliance. BEA activities include:

1. Conducting pre-election reviews and analyses of national and international union constitutions, bylaws, and officer election manuals for possible conflicts between the union trusteeship and officer election provisions and the LMRDA, CSRA, Department regulations and policy, and applicable court decisions;

2. Initiating contact with parent union officials and legal counsel, encouraging them to review the BEA findings, and formulating a plan for voluntary compliance;

3. Advising and assisting national union officials and counsel in bringing their trusteeship and election procedures into conformity with the law, applicable court decisions and Department policy;

4. Providing, upon request, on-going advice and assistance to national and international union officials during the actual conduct of their officer elections on such diverse matters as candidate and voter eligibility requirements, use of union funds, adequate safeguards, etc.;

5. Maintaining a digest of trusteeship and union officer election cases to assist the LMSE staff in enforcement of the law, and to assist unions in bringing their trusteeship and election procedures into conformity with the requirements of the law and Department policy; and

6. Assisting the LMSE field staff, responding to public and internal inquiries, alerting the Secretary's office about significant internal union developments, and engaging in direct public relations contacts.

In FY 1983 BEA will explore additional alternatives to improve voluntary compliance with the election and trusteeship requirements of the LMRDA, CSRA, and FSA.

CHAPTER 5

LMRDA AND CSRA, SECTION 7120 REGULATIONS AND INTERPRETATIONS AND POLICY GUIDANCE

5.1 Regulations

The following regulations have been issued to cover specific provisions of the LMRDA:

29 CFR 207-209	Standards of Conduct (CSPA, Section 7120, Federal Union) (Also applicable to unions covered by the FSA)
29 CFR 401	Meaning of Terms
29 CFR 402	Union Information Reports
29 CFR 403	Union Financial Reports
29 CFR 404	Union Officer and Employee Reports
29 CFR 405	Employer Reports
29 CFR 406	Consultant Reports
29 CFR 408	Trusteeship Reports
29 CFR 409	Surety Company Reports
29 CFR 417	Procedures for Removal of Local Union Officers

5.2 Interpretative Bulletins

There are three interpretative bulletins. Of particular importance is 29 CFR 452 which outlines Labor Department positions on Title IV of the LMRDA. In addition, 29 CFR 451 covers the meaning of labor organizations as defined in Section 3(i) of the LMRDA, and 29 CFR 453 addresses the bonding provisions set forth in Section 502.

5.3 Reporting Forms and LMRDA Interpretative Manual

The regulations regarding current LMRDA public use forms incorporate by reference instructions for preparation of the forms. The substance of

these regulations can therefore be found in the instructions for preparation of the respective LM forms.

The LMRDA Interpretative Manual contains interpretations of LMRDA provisions and the regulations. Interpretations included in the Manual usually are based on rulings in actual cases rather than on general statements.

Questions about entries and suggestions for changes in the Manual should be referred to the Branch of Interpretations and Standards (BIS).

5.4 Procedures for Issuance of New Regulations and Revision of Forms

Department, Office of Management and Budget, and Office of Federal Register Procedures are followed when issuing new regulations or reporting form revisions. A notice of proposed regulations is published in the Federal Register and comments are solicited from "users" and the general public. Also, comments are directly solicited from national labor organizations, other interested parties and the LMSA staff. Regulations are issued after an analysis of the various comments and coordination with the SOL.

Questions and suggestions should be referred to BIS.

5.5 Policy Guidance

BIS prepares requested or self-initiated position papers recommending positions on issues that are not covered by the regulations, interpretative bulletins, or the LMRDA Interpretative Manual. BIS also conducts research and prepares policy and interpretative memorandums for the guidance of LMSA staff concerning new legislation, recent court decisions, internal policy decisions, etc.

Questions seeking policy guidance on unique or precedential issues should be referred to BIS.

CHAPTER 6

TRAINING

6.1 Training Policy

Chapter 1400 of the DOL Personnel Management Manual defines the Department's overall training policy:

"...management should provide the atmosphere and opportunity for the development and increasing utilization of the abilities of its employees and that planning and implementation of training should be a continuing element of the management process. This applies to all Department of Labor employees and all training activities in which they engage."

LMSE's goals can best be achieved through a highly competent and motivated staff. The LMSE Director is firmly committed to the development and implementaton of a training program that will improve staff skills and knowledge applicable to program and/or supervisory responsibilities.

6.2 Training Program

The Director has appointed a five-person LMSE Training Group to develop a comprehensive, permanent training program for new and current

investigators, supervisors, and clerical employees in the Field and National Office. Structured OJT will be the cornerstone of the Field program which will have four principal elements:

- On the Job Training
- Inhouse Classroom Courses
- Outside Training Courses
  Employee Self Development

Inhouse courses are being developed by teams of highly qualified Field and National Office employees.

In early FY 1983 the LMSE Training Group will distribute an LMSE Training Document which will outline specific training responsibilities for LMSE staff and include information regarding all aspects of the LMSE training program including course outlines, outside training sources, OJT procedures, and departmental regulations.

6.3 FY 1983 Training Plans

Specific FY 1983 training activities for the Field and National Office will be announced soon after passage of the 1983 budget. It is anticipated that the LMSE National Office will sponsor several training courses/activities including four or more weeks of LMSE designed courses for new Investigators:

- LMSA/LMSE Orientation
- Union Accounting/Reporting
- Auditing Techniques/CAP
- Investigative Skills
- Embezzlement Investigations

One or more of the above courses may also be offered for some current investigators as well as a one-week Advanced Investigator Seminar. In addition, LMSE is exploring the following training possibilities for current investigators:

- PWBP Cross Track Training
- Computer Fraud Trainings
- White Collar Crime Seminar at the
  Federal Law Enforcement Training
  Center in Glynco, Georgia

Except for OJT, all LMSE training (inhouse and outside sources) is directly contingent on budgeted funds.

CHAPTER 7

PROGRAM REVIEW AND EVALUATION

7.1 Evaluation Guidelines

Quantitative and certain qualitative guidelines for area office accomplishments are outlined in the annual LMSA POP completed by each area office. The POP sets forth program goals, priorities among activities, the number of planned investigative units by case type, budget limitations and personnel ceilings.

Regional, area and national office supervisors/managers and certain staff follow prescribed CSRA merit pay performance standards designed to ensure that critical LMSE functions and responsibilities are satisfactorily completed on schedule. Performance standards are modified annually to reflect LMSE program priorities and enforcement strategy.

7.2 Responsibilities for Review, Evaluation and Feedback

At the national office level, the BCI, BA, and BET review investigative and audit reports using uniform case quality standards, to ensure compliance with LMSE program and performance standards. The results of these reviews are forwarded to the Regional Administrators on a quarterly basis.

The LMSE Director and the OFO may direct national personnel to make on-site visits to the field; such visits will be coordinated with the ARA/LMSE. The purpose of such visits will be to provide clarification and guidance to area offices regarding specific matters such as enforcement strategy or the handling of significant cases. Visits by national office personnel will not be general reviews. Reports of such visits will be distributed to OFO, the area administrator, the regional administrator, and the LMSE Director.

Considering LMSE's emphasis on criminal enforcement activities, the national office will closely review and evaluate the results of compliance audits and embezzlement cases. Specifically, BA will review CAP cases to:

1. Compile statistical data regarding the labor organizations audited, the violations discovered, and the eventual disposition of all violations;

2. Ensure that area offices are selecting an appropriate mix of labor organizations as CAP targets; and

3. Identify and advise field personnel of procedural or audit/investigative problem areas (quality control).

BCI reviews and discusses Significant Case Reports with the Director on an ongoing basis. BCI also reviews criminal cases to identify problem areas/accomplishments and to provide statistics and other evaluation information to the Director.

The LMSE Director will conduct periodic meetings with all LMSE ARAs to (1) discuss program accomplishments in each area office, (2) review the investigative status of significant cases, (3) ensure adherence to LMSE priorities, (4) resolve specific problem areas, (5) coordinate nationwide investigative, training and technical assistance activities, and (6) identify and plan for upcoming significant investigations and events. Other field and national office staff may also attend these quarterly meetings.

The LMSA OFO is responsible for field organization monitoring and evaluation of field personnel conformance to POP guidelines and merit pay performance standards. OFO also conducts periodic on-site evaluations of the LMSA program in each regional and area office and prepares written reports which are distributed to the Director and each regional administrator and area administrator. Field accountability reviews cover many areas including (1) LMSE performance standards, (2) case handling techniques, (3) administration, (4) program supervision, and (5) measurement of work performance against enforcement strategy objectives.

Each region submits quarterly review and analysis reports, regarding Program accomplishments to OFO and the Director.

In addition to regular review of all LMSE cases, the ARA/LMSE conducts on-site reviews of LMSE program operations in each area office within a region. These reviews should assist area offices in case and program management, adherence to LMSE priorities, improved quality and quantity of investigations, and focus on specific problem areas. Copies

of reports concerning these visits are distributed to the respective area office and regional administrator, the OFO, and the LMSE Director.

CHAPTER 8

COORDINATION WITH OTHER AGENCIES

8.1 General

Effective liaison with various federal agencies, particularly the DOJ, is critical to LMSE criminal and civil enforcement efforts. LMSA national office, regional, and area office personnel are charged with the responsibility of establishing and maintaining day-to-day working relationships with other appropriate governmental agencies for purposes of coordination and information exchange.

8.2 U.S. Department of Justice (DOJ)

LMSE operates in accordance with a twenty-one (21) year old Memorandum of Understanding signed by the Secretary of Labor and the U. S. Attorney General which delegates investigative authority under the LMRDA Section 501(c) (embezzlement of union funds) to the Federal Bureau of Investigation (FBI) and to LMSE for cases involving multiple violations. LMSE investigations conducted to discover other LMRDA violations simultaneously uncover embezzlement violations. Re-investigation of the embezzlement by the FBI would result in considerable duplication of effort, unnecessary expense and additional disruption of the involved labor organization. This situation may also result in practical investigative difficulties in terms of union record production and review. Therefore, the U.S. attorney determines the best method of successfully completing embezzlement investigations and assigns investigative jurisdiction to LMSE or the FBI on a case-by-case basis.

U.S. attorneys have recognized the investigative/audit expertise of LMSE investigators in the embezzlement area and have frequently delegated investigative jurisdiction to LMSE. Any initiative to amend the Memorandum of Understanding for LMSE to assume full investigative responsibility for all LMRDA Section 501(c) violations is contingent upon additional funding for personnel and training to support LMSE's emphasis on timely and thorough investigations.

To maintain LMSE's predominant role in investigating 501(c) cases, it is imperative that area offices maintain close harmonious working relationships with all ninety-four (94) U.S. attorneys located in judicial districts throughout the country. The emphasis on timely and effective investigations of embezzlement necessitates area office personnel, particularly the LMSE track supervisor(s) and the area administrator, to personally visit U.S. attorneys in their areas at least once a year, in order to develop an effective relationship. Regional staff should monitor and assist area offices in whatever way necessary to further improve the quality and timeliness of investigations in response to the U.S. attorney's criteria for criminal prosecutions. LMSE urges direct consultation and cooperation with U.S. attorneys at the area office level in criminal cases.

Area offices must also maintain liaison with FBI white collar crime units in order to eliminate investigative duplication and to encourage information exchange. Likewise, the LMSE national office, specifically, BCI, will continue liaison activities with the criminal and civil divisions of DOJ to support efforts in the field. Regular meetings between LMSE representatives and DOJ representatives will ensure that

LMSE and the DOJ are mutually supportive of each other's organizational and program goals.

8.3 DOL Office of the Inspector General (OIG)

OIG participates with other federal law enforcement agencies in the Organized Crime Program (OCP). The LMSE National Office (BCI) and area offices continue to seek cooperation and to coordinate with the OIG on a regular basis to avoid duplicative investigative efforts and to exchange criminal intelligence. LMSE representatives will communicate periodically with representatives of the OIG to ensure that both organizations are mutually supportive of each other's programs and to resolve specific problems.

8.4 National Labor Relations Board (NLRB)

Because of overlapping clientele, interrelated investigative activities and general public confusion about specific agency functions, area offices and the thirty-four (34) NLRB regional offices in the United States must cooperate effectively. This liaison is particularly important in connection with LMSE's employer/consultant reporting investigations and the NLRB's role in dealing with employer/consultant reporting violations.

BCI and BIS have continuing liaison with the NLRB Information Office and General Counsel's Office. At LMSE request, the NLRB has instructed all NLRB field offices to make case files available for review by LMSE investigators, but copies of documents are provided only upon written request from the LMSE Director. It is the reponsibility of each area office to develop procedures for case file review at NLRB field offices and to refer all coordination problems and document requests to BCI.

8.5 Federal Labor Relations Authority (FLRA) and the Foreign Service Labor Relations Board (FSLRB)

LMSE conducts Standards of Conduct investigations of federal sector labor organizations (except for matters involving bill of rights and prohibited discipline where our role is more limited). Violations are enforced through hearings before an administrative law judge leading to a Decision and Order of the Assistant Secretary. If a labor organization fails to comply with a Decision and Order, the case is referred to the FLSA (for labor organizations covered by the CSRA) or the FSLRB (for labor organizations covered by the FSA) for appropriate action which may include administrative sanctions or litigation. The LMSE national office is responsible for establishing definitive procedures with those agencies to facilitate case processing. Area offices should also maintain liaison with their regional offices.

8.6 Pension Welfare Benefits Program (PWBP)

LMSE will routinely coordinate with PWBP particularly at the area office level. Increased dialogue between investigators is encouraged to strengthen enforcement of both programs. Joint LMSE/PWBP investigations should be considered in appropriate situations. LMSE will continue discussions with PWBP at the national office level to seek means to coordinate enforcment activities.

8.7 Other Agencies

The LMSE national office (BCI), regional, and area office personnel should, on a continuing basis, coordinate with other governmental agencies such as:

1. Internal Revenue Service,

2. U.S. Postal Inspectors,

3. Bureau of Alcohol, Tobacco and Firearms, and

4. State and Local Law Enforcement Agencies.

Coordination is particularly important at the area office level where open channels of communication are needed to resolve day-to-day questions of a routine nature. However, BCI will continue efforts to develop effective cooperation and information exchange with all appropriate governmental agencies at the national office level to support LMSE field activities.

Question: Do you have assessments either by LMSA or the Inspector General's office of the results of the CAP or ICAP Programs?

Answer: LMSA is currently compiling data from all CAP cases as part of a scheduled review of the CAP program to consider modifications or revisions. The process is not expected to be completed before the end of FY 1984. A similar review of I-CAP is planned. The Inspector General's Office has completed a survey of LMSE programs. The report, which has just been received, is presently being evaluated.

Question: Can you supply an assessment of the adequacy of your efforts to get employer and consultant compliance with the Section 203 program?

Answer: LMSA has not prepared any formal assessments of the Section 203 enforcement program or of the level of compliance with Section 203 other than statistical information pertaining to cases opened and the number of reports received.

Question: Provide for the record a legal analysis regarding the application of the Section 203 program.

Answer: LMSA does not prepare legal analyses per se. The memoranda that LMSA has prepared that relate in any manner to Section 203 have generally been prepared in reference to specific cases. Compilation of this material would require extensive review of files.

We are attaching copies of opinions issued since 1979 by the Solicitor or Associate Solicitor in response to inquiries from the public or agency officials concerning the meaning and application of Section 203.

JUN 26 1981

Ms. Betsy McGrail
7818 Sears Tower
Chicago, Illinois 60606

Re: Consultant Reporting

Dear Ms. McGrail:

On June 24, 1981, you asked Mr. John Lamb of my staff for a copy of an opinion written by the Solicitor of Labor in 1960 on the reporting requirements for consultants under the Labor-Management Reporting and Disclosure Act of 1959.

We have checked our files and have found only one letter on this subject written by the Solicitor in 1960. A copy of that letter is enclosed.

We are also enclosing for your information a copy of a pamphlet on the reports required under the LMRDA and a copy of our LMRDA Regulations and Interpretative Bulletins which contain information on consultant reporting.

If this is not the opinion you want, please furnish us with more specific information to enable us to identify the document.

Sincerely,

Beate Bloch
Associate Solicitor

September 28, 1960

Mr. John L. Holcombe
Commissioner, ELMR

Harold C. Nystrom
Acting Solicitor

Forms LM-20 and LM-21

This is in reply to your memorandum of August 4 on the above subject. We have given careful consideration to the proposals contained in your memorandum, and I am of the opinion that most of these proposals can be legally sustained. To the extent that these proposals appear to be not legally sustainable, I believe that substantially the same result may be obtained by the use of other means, provided that the Secretary

finds this necessary to prevent the circumvention or evasion of the pertinent reporting requirements.

With respect to your specific proposals, I have the following comments:

1. I agree that the requirement to file the annual report is not dependent on the requirement to file the initial report.

2. I agree that the annual report must be filed by persons who received or made payments during the fiscal year as a result of an agreement or arrangement described in Section 203(b).

3. In my opinion, the filing of a complete annual report cannot be required solely on the basis of a person's engaging in activities specified by Section 203(b) if he has not received or made any payments during the fiscal year as a result of an agreement or arrangement described in that section. In order to prescribe such a requirement, we would have to disregard the phrase "with respect to each fiscal year during which payments were made as a result of such an agreement or arrangement" in Section 203(b). The decided cases indicate that the courts would not sustain a procedure whereby such a phrase which does have a rational meaning would be completely read out of the statute. However, if the Secretary finds it necessary to prevent circumvention or evasion of the reporting requirements, and if a regulation is issued to that effect, a requirement could be made for the submission of terminal and status reports. Thus, if an agreement or arrangement is terminated during the fiscal year, a terminal report would have to be submitted; if payments were received or made by the reporting person during the fiscal year under an agreement or arrangement described in Section 203(b), the terminal report would have to contain all the information set out in that section, and if no payments were received or made by the reporting person during the fiscal year under such an agreement or arrangement, the terminal report would have to contain a statement to that effect. Similarly, a status report would have to be submitted by persons who have not received or made any payments under such an agreement or arrangement during the fiscal year but whose agreement or arrangement is nevertheless continuing in effect; such persons would simply report that the agreement or arrangement is continuing in effect but that no payments were received or made as a result thereof during the fiscal year. I believe that this procedure would achieve substantially the same result as your proposal because, in the absence of the receipt and making of any payments under a reportable agreement or arrangement, the report would, in any event, not show any receipts or disbursements under such agreements or arrangements.

4. I agree that the filing of the report should be required not only by the direct party to a reportable agreement or arrangement with an employer but also by third persons who undertake the activities described in Section 203(b) with knowledge that they are undertaken pursuant to such an agreement or arrangement with an employer and who receive or make payments as a result of such an agreement or arrangement.

In accordance with the foregoing considerations, the pertinent instruction regarding the annual report might read as follows:

"Who Must File - The attached report must be filed by those persons (including labor relations consultants as well as other individuals and organizations) who, during the past fiscal year, received or made payments as a result of any agreement or arrangement with employers subject to the Act to undertake certain activities of the type described in Section 203(b) of the Act. The reporting requirement is not confined to persons who are direct parties to such an agreement or arrangement with an employer but extends also to such persons who receive or make payments for activities which are undertaken at the behest of another person and which, to their knowledge, are undertaken as a result of an agreement or arrangement of the nature described in Section 203(b) between an employer and any other person.

"Read these instructions and the form carefully before completing any part of the report.

"What Must Be Filed - The types of payments which must be reported, together with the exclusions applicable to each such type, are set forth in the attached report form. The Act requires that every person (including labor relations consultants as well as other individuals and organizations) who in any fiscal year received or made such payments file with the Secretary of Labor a report showing in detail (1) its receipts of any kind from employers on account of labor relations advise or services, designating the sources thereof, and (2) its disbursements of any kind, in connection with such services and the purposes thereof, all in such categories as are called for by the instructions and captions in the attached report. Note that the receipts to be reported include not only those received directly from an employer but also those which, to the knowledge of the recipient, are received from any source as a result of an agreement or arrangement of the nature described in Section 203(b) between an employer and any other person."

The requirement for the submission of terminal and status reports would be contained in the revised regulations which are to be issued. Whether the instructions should also contain a references to those reports may depend on whether the same form is to be used for these reports even in cases in which no payments were received or made during the fiscal year under reportable agreements or arrangements.

I also have some suggestions for changes in the drafts of LM-20 and LM-21. It would probably be best if these suggestions were discussed orally between members of our staffs.

DEC 12 1979

SOL: 80-1-(LM)

Gregory A. Giordano
Clark & Stant, P.C.
Suite 211, Pembroke Three Building
Pembroke Office Park
Virginia Beach, Virginia 23462

Dear Mr. Giordano:

This is in response to your letter dated September 25, 1979 requesting an opinion as to whether your actions in conducting a training session for employees would be subject to the reporting requirements of Section 203(b) of the Labor-Management Reporting and Disclosure Act.

For Section 203(b) to apply in the circumstances which you described, two elements must exist: (1) there must be an agreement or arrangement between the "labor relations consultant" and an employer; and (2) the object of the agreement must be to directly or indirectly (a) persuade employees in regard to their right to organize and bargain collectively or (b) to supply an employer with information concerning the activities of employees or a labor organization in connection with a labor dispute.

It appears that the agreement you have with the employer requires that you instruct the employees on the general subject of labor law.

It is the policy of the Department to not require reports where the services rendered are intended to improve employee - employer relations or, are for the purpose of training employees. If, as you stated, there is no attempt to persuade these employees, the Department would see no reason for you or the employer to file reports.

However, should the Department receive a complaint that these activities go beyond that of teaching employees, an investigation into these activities would be conducted and appropriate action taken.

Further, we should point out that Section 209 is a criminal provision and the Department of Justice is the only agency with authority to make a final determination in regards to criminal violations.

I hope this will answer your question. Should you require additional information, do not hesitate to ask.

Sincerely,

Harold A. Nouzon
Acting Associate Solicitor

JUN 22 1979

INFORMATION

MEMORANDUM FOR THE SECRETARY

FROM : Carin Ann Clauss
Solicitor of Labor

SUBJECT: Addendum to Memorandum of June 1, 1979 - Enforcement of the Employer-Consultant Requirements of Title II of the LMRDA
SOL: 75-57-(LM)

The recent letter to you from Lane Kirkland, concerns activities of AMR International which are not reportable under the interpretation of Section 203 which was announced by then Solicitor Charles Donahue at the 1962 proceedings of the Labor Relations Law Section of the American Bar Association, and has been consistently followed by the Department since then. Mr. Donahue referred to Section 203(c), which specifically

excludes from the reporting requirements "giving or agreeing to give advice to [such] employer." In essence, Mr. Donahue concluded that advice, even when embedded in a persuasive speech or statement prepared by the advisor, nevertheless remains advice which need not be reported unless the advisor himself uses the speech or statement directly to persuade. The activities outlined in the letter submitted by Mr. Kirkland clearly fall within the former category, which lies outside the scope of the reporting requirements.

Reference should also be made to the Department's rejection of a 1972 request that it investigate practices of the Legal Defense Fund of the National Right-To-Work Committee. Then Solicitor Richard P. Schubert concluded that the mere act of contributing to the National Right-To-Work Committee did not constitute an "agreement or arrangement" between the Committee and its employer-members within the meaning of Sections 203(b) and (d).

COPY

INFORMATION

JUN 1 1975

MEMORANDUM FOR THE SECRETARY

FROM: Carin Ann Clauss
Solicitor of Labor

SUBJECT: Enforcement of the Employer-Consultant Reporting Requirements of Title II of the LMRDA
SOL: 72-57-(LM)

PRIORITY: IMPORTANT

PURPOSE: To report one's enforcement of these requirements has been impeded by unfavorable court decisions, but has proceeded to the extent consistent with such decisions.

BACKGROUND: You have requested my views concerning criticisms of the Department's alleged failure to enforce the employer-consultant provisions of the Labor-Management Reporting and Disclosure Act. The Act requires reports concerning agreements or arrangements of employers with labor relations consultants to undertake activities which have an object of persuading employees with respect to the exercise of their protected rights, or to supply employers with information about their employees' union activities in a labor dispute. Under these provisions, both the employer and the consultant must report when entering into such agreements or arrangements. In addition, consultants must file annual reports which describe not only the specific activity undertaken, but all their receipts from employers on account of labor relations advice, and all disbursements in connection therewith. Employers and consultants need not report when the consultant merely gives advice to an employer, or represents the employer before a court or other agency, or engages in collective bargaining negotiations on the employer's behalf.

In the early years after enactment of the LMRDA a number of cases were brought by the Department to enforce the consultant reporting provisions of the statute. Few of these cases were successful. For example, in Wirtz v. National Welders Supply Co., 254 F.Supp. 62 (W.D. N.C., 1966) the court held that even a determination by the National Labor Relations Board that employers had engaged in activities covered by section 203 was not sufficient to enable the Secretary to require reports; the Secretary would have to prove motivation and purpose, and that the object of the company's activities was illegal. A second adverse judicial decision about the same time, Wirtz v. Ken Lee, Inc., 360 F.2d 593 (5th Cir., 1966) also refused to require the employer to report even though the NLRB had found that a specific payment had been made for employee surveillance. In United States v. McCarthy, 238 F.Supp. 561 the District Court held that defendant could assert the Fifth Amendment privileges as a defense against a charge for failing to file prescribed reports. After the loss of these cases few suits were initiated to enforce the consultant provisions until the mid 1970's.

However, the Department successfully litigated a series of cases in the Fourth and Fifth Circuit that ultimately held that the attorney-client privilege could not be used to defeat the reporting requirements when consultants engaged in persuader activities. Both Circuits held that attorneys who engage in persuader conduct must also include in their annual reports a record of disbursements and receipts on account of all labor relations advice and services rendered to all clients.

It should be noted that the Department has consistently continued to demand reports when deemed appropriate, and in many instances voluntary compliance has been obtained.

In the last few years enforcement activity has increased. Since fiscal 1977 three cases have been referred to the Solicitor's Office for possible enforcement action against consultants and/or employers under Title II of the Act. All are being actively pursued. In a case involving the Master Printers of America, a division of a trade association in the printing industry, a favorable decision was recently handed down in the Federal District Court in Alexandria, Virginia. The court held that the trade association, by sending directly to employees magazines which contained articles of a persuasive nature, engaged in reportable activity which amounted to more than mere advice. It held that the trade association had to file reports under section 203(b)(1) of the Act for those employers whose employees received such communications. Although suit was only brought against the consultant trade association as an entity, the Act prescribes a corresponding duty for employers who enter into reportable arrangements with consultants. In the event that the Master Printers of America does not encourage its employer-members to file these reports voluntarily, we will file suit against selected employers on an individual basis to insure that reports are filed.

Another case is pending in court against a labor law firm in Chattanooga, Tennessee, which was engaged in persuader activities, and refused to report receipts and disbursements relating to general labor relations advice (Humphries, Hutchinson and Mosley v. Marshall, Civil Action No. 78-3450-HA-CV). In the third case, the Department was ready to file suit against both the labor relations law firm and the

employer involved when an offer of settlement was received. The law firm has agreed to file Reports as required by the Act.

OTHER DOL AGENCIES INVOLVED: The Labor Management Services Administration enforces the Labor-Management Reporting and Disclosure Act. LMSA has not reviewed this memorandum.

OTHER FEDERAL AGENCIES INVOLVED: The Department of Justice handles litigation under the EAJEDA, with advice and assistance from this office.

CONGRESSIONAL INTEREST: We are not aware of any recent Congressional interest in this area.

OPTIONS FOR ADDRESSING ISSUE: NOT APPLICABLE

RECOMMENDED COURSE OF ACTION: NOT APPLICABLE

LATEST DATE FOR ACTION: NOT APPLICABLE

CONTACT: The program official who has additional information is Carl Rolnick, Director, Labor Management Standards Enforcement, 523-7377.

OFFICE OF PENSION AND WELFARE BENEFIT PROGRAMS

Question: How much of a budgetary reduction will the realignment of the pension program represent for the Labor-Management Services Administration?

Answer: We do not believe there will be any budgetary reduction due to the separation of the pension program from LMSA. The total budget for the two agencies will remain the same. Some staff may be transferred from LMSA support activities to OPWBP thereby increasing the OPWBP total expenditures. We are working toward reducing overhead by reducing layers of review and therefore hope to strengthen program performance.

Question: Will you be sending a revised budget proposal to Congress for fiscal 1985 in view of the realignment of the pension program?

Answer: The realignment of the pension program requires no revision in the budget proposal currently before the Congress.

Question: What progress has been made to facilitate the investment of pension funds in residential mortgages?

Answer: The Department has been quite active in removing technical barriers to prudent pension fund investment in residential mortgages and mortgage-backed securities. On May 19, 1982, we published in the Federal Register three major initiatives in this area. First, we issued a regulation making clear that the underlying assets of mortgage pools of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Company (FHLMC) and the Government National Mortgage Association (GNMA) were not plan assets. Second, we adopted a final class exemption, PTE 82-87, eliminating most prohibited transaction barriers to pension fund investments in residential mortgages.

Finally, we proposed an extension of an existing class exemption, eventually finalized as PTE 83-1, that freed the operators of mortgage pools from most of the prohibited transaction restrictions. These three initiatives addressed the recommendations of the President's Commission on Housing and the requests for exemptions that had been made to date by the National Association of Home Builders (NAHB) and the National Coordinating Committee for Multiemployer Plans (NCCMP).

Question: Has your so-called "Qualified Pension Asset Manager" Regulation even been finalized?

Answer: On March 13, 1984, the Department issued the final version of its prohibited transaction class exemption (84-14) - Qualified Professional Asset Manager (QPAM). This class exemption allows plans which place their assets under the control of a QPAM to be exempted from certain party-in-interest prohibited transaction provisions of ERISA. We believe this exemption is a major part of our deregulatory efforts.

Question: Could you provide for the record a listing and brief description of the suits filed by the Department of Labor as part of its responsibility to enforce the fiduciary standard provisions of the pension law?

Answer: Following is a brief discussion of the suits filed by the Department in calendar year 1983.

On February 24, 1983, the Secretary filed suit in Donovan vs. Ashplant against Chemical Bank of New York and four committee members of the Tobin Packing Company Profit Sharing Plan for improperly using its assets to buy stock in the packing company that sponsored the plan. The suit alleged the trustees acted in a manner adverse to the interests of plan participants and in violation of ERISA's conflict of interest provisions when they invested about half of the plan's assets in Tobin stock.

The Department filed suit on March 31, 1983, in Donovan vs. Goldstein against two trustees of a District of Columbia pension plan for improperly transferring more than $600,000 in plan funds to benefit parties related to the plan. The case alleged the trustees transferred more than $400,000 in plan funds to pay the loan and development cost on a parcel of undeveloped commercial property owned by the trustees' family, and transferred more than $190,000 to benefit the bankrupt plan sponsor and the trustees.

In Donovan vs. McCartney, et al., the Department filed suit on April 1, 1983, in the District Court of New Hampshire against the trustees of the Northern New England Carpenters Pension Fund for improperly loaning $1.7 million in plan funds to contributing employers. The Department charged the trustees with violating the prohibited transaction provisions of ERISA during their tenure in office by making loans at interest rates below the prevailing market rate to four companies affiliated with the plan.

On May 3, 1983, the Department, in Donovan vs. Hunt, et al., sued 11 trustees of the pension plan and employee stock ownership plan (ESOP) of George Hunt, Inc. (GHI) of Clearwater, Florida for making a series of prohibited loans to benefit parties affiliated

with the plans. The suit alleged the trustees loaned $332,500 to GHI and two companies affiliated with GHI, failed to collect loans owed to the plans, transferred property owned by the ESOP without receiving adequate consideration, permitted loans from the ESOP to plan participants in violation of the plan's rule and failed to obtain the bonding required by law.

On June 2, 1983, in Donovan vs. Cody, et al., the Department filed a third suit against officials of the Long Island-based Teamsters' Local 282 plans for making excessive payments to the union, service providers and other affiliated parties, and for paying John Cody, a plan trustee, a salary and purchasing a retirement annuity policy for him while he was president of the union. Cody was separately charged with unlawfully accepting dual compensation from the union and the plans, and accepting $100,000 in connection with real estate purchased by the pension plan.

The Department filed two lawsuits on July 26, 1983, in the Federal district courts of Texas. In Donovan vs. Jones, the Department filed suit against the sole trustee of a Houston profit sharing plan for illegally loaning $592,500 in plan funds to himself, his wife and a company related to the plan, for failing to obtain bonding as required by law and failing to comply with various reporting and disclosure provisions of ERISA.

Also on July 26, 1983, the Department sued the trustees of a Dallas pension plan for failing to collect over $1 million in delinquent loans and interest owed to the Rowley United Pension Plan (Donovan vs. Herrington, et al.). The Department charged the trustees with failing to require periodic loan payments, failing to charge reasonable interest rates on the loans and violating the plan's rules with regard to the loans, and making prohibited loans to one trustee and the vice president of the company that sponsored the plan. In addition, these same two officials were charged with violating ERISA's conflict-of-interest provisions by soliciting and accepting the loans at unreasonable interest rates.

In Donovan vs. Sansone, et al., the Department sued 15 trustees of the Teamsters Local 682 Health and Welfare Fund and the Supplemental Fund in St. Louis for making excessive and inadequately documented payments to parties related to the plans. The suit, filed August 1, 1983, in Federal Court for the Eastern District of Missouri, also accused the trustees of accepting payment for expenses that were either unnecessary or which were never incurred. An insurance consultant to the plan was individually charged with accepting excessive commissions and issuing misleading solicitations for bids from insurance carriers.

In Donovan vs. Klein, the Department sued a former trustee of the Roofers Local 74 Welfare Plan for diverting nearly $9,000 in employer contributions for his personal use. The suit, filed August 8, 1983, in the District Court for the Western District of New York, alleged the trustee withdrew funds from the general account of the United Slate, Tile and Composition Workers, Damp and Water Roofers Association Local 203 after diverting the funds from the Local 74 plan.

In Donovan vs. Simmons, et al., the Department had filed suit on May 9, 1983, and petitioned for injunctive relief to bar the

trustees of nine pension plans from continuing to use the plans' assets to achieve control of companies which the plans' sponsor was attempting to acquire. The suit alleged the defendants violated ERISA by expending more than $25 million to acquire substantial interests in certain targeted companies. On May 13, 1983, the court granted the Department's request for injunctive relief by enjoining the defendants from continuing to use the plans' assets to achieve corporate objectives and appointed two independent fiduciaries to oversee the plans. Under a settlement which was approved by the Court, an independent fiduciary will exercise management and investment authority over some stocks owned by the plans, and restrictions are imposed on investments involving the plans and related parties.

The Department filed a complaint and consent order February 17, 1983, in Donovan vs. Opatut, et al. regarding loans made by the trustees of a New Jersey profit sharing plan to themselves. The suit charged the trustees with making the loans on terms unfavorable to the plan and with failing to make the loans in accordance with plan rules. Under the court order, the trustees were required to pay over $900,000 to the plan and to resign their positions as trustees to the plan.

The Department filed a consent order May 2, 1983, in Donovan vs. Smith requiring the president and business agent of Shaw University in North Carolina to pay over $55,000 to the university's pension plan. The Department's suit, filed March 3, 1983, in the U.S. District Court for the Eastern District of North Carolina, alleged the defendants failed to remit employee contributions to the plan in a timely manner and diverted plan funds to the university's general account.

On October 11, 1983, the Department filed a complaint in Donovan vs. Barresi, et al. in the Federal district court in Brooklyn, New York and obtained a settlement of its allegations against the trustees of the Teamsters' Local 918 pension and welfare plans. In the suit, the Department charged the trustees with imprudently investing plan funds without acquiring advice and information from trustworthy persons, insurance agents and carriers. The suit also charged the trustees with funding the plans' death benefits through costly whole life insurance policies and investing plan funds in deposit administration contracts on terms less favorable than comparable investments available through other insurers. The settlement order requires the trustees to pay over $160,000 to the plans, removes one trustee and appoints Republic National Bank as an independent investment manager.

Question: How are criminal violations disclosed in your audits and investigations coordinated with the Justice Department?

Answer: If during an audit or investigation a Department of Labor investigator discovers a possible criminal violation, we report it to the local United States Attorney's Office and seek delegation to continue the investigation. Sometimes the U.S. Attorney's Office chooses to give delegation to another enforcement agency such as the F.B.I. The Department also provides a periodic summary report on criminal cases to the Department of Justice's Organized Crime Section.

Question: How much has the Department of Labor spent on the Teamsters Central States Pension Fund investigation and what has been the outcome?

Answer: The Department of Labor has spent approximately $6.1 million in the investigation and litigation of the Pension Fund cases. The investigation into the Teamsters' Central States Pension and Health and Welfare Funds has resulted in the institution of a number of suits brought by the Secretary against the Funds, their former and present trustees, and various third parties. Among these suits is Donovan v. Fitzsimmons, which resulted in a historic consent decree in September 1982 that safeguards the Pension Fund's almost $5 billion in assets against future abuses. The Secretary continues to litigate the claims against the former trustee defendants in Fitzsimmons. In addition, the Secretary and the Funds are attempting to effectuate the settlement he announced in May 1983 in Donovan v. McDougall, Donovan v. Nellis, Donovan v. Robbins, and Donovan v. Dorfman, which would recover a total $6.5 million for the Health and Welfare and Pension Funds, secure relief against the Health and Welfare Fund like that obtained against the Pension Fund, and preserve claims against non-settling defendants who the Secretary alleges are liable for additional restitution to the Funds. Finally, the Secretary has intervened in M&R v. Fitzsimmons, I.J.K. v. Robbins, Shenker v. Robbins, and Central States v. Baron to assure that the interests of the participants and beneficiaries of the Funds are adequately represented. These cases involving the Funds have and will result in millions of dollars in savings to the Funds.

Question: Could you outline your research plans in the pension area?

Answer: In FY 1985, approximately $500,000 of the $750,000 requested for contract research will be used to update, maintain, and analyze the comprehensive financial and participant data base developed during FY 1984. This will provide an ongoing basis for evaluating the impact of proposed legislation and regulations, assessing the size and growth of private pension plans and assets, evaluating the effect of ERISA on pension plans, and will provide input to policy making. In addition, this data base will be used extensively by the Pension Benefit Guaranty Corporation (PBGC) with whom we have worked very closely, to conduct research on the single and multiemployer insurance program and premium structure. Also in FY 1985, the program plans to conduct further indepth research on the investment behavior of private pension plans as well as to evaluate the effects of shifts in the types of investment to new avenues of investments by private plans due to changes in the regulatory climate of ERISA. Finally, a full review and evaluation of the private pension structure will be undertaken after a decade of operation under ERISA, including the role of private pensions in income security and the growth and shifts in protection afforded distinguishing by type of plans and variations in plan provisions.

VIEWS ON DEFINED CONTRIBUTION PLANS

Question: In a defined contribution plan, the employer makes a fixed contribution to each individual's pension account. The benefit at retirement is based on accumulated contributions and investment earnings. Defined benefit plans, on the other hand, promise a certain level of benefits to the employee upon retirement. In a defined contribution plan the participant bears the risk of investment performance, but benefits usually vest (become nonforfeitable) earlier.

Since ERISA was enacted in 1974, defined contribution plans have experienced unprecedented growth. During this same period, defined benefit plans have declined. Some suggest that ERISA provisions are largely responsible for the recent shift away from defined benefit plans toward defined contribution plans.

Defined benefit plans are required to have periodic actuarial valuations to appraise their financial position and are assessed insurance premiums by PBGC to guaranty their solvency. Most important, ERISA holds employers financially liable if they terminate or withdraw from a defined benefit plan having insufficient assets. None of these provisions applies to defined contribution plans since by their very nature they are fully funded.

What are the Department of Labor's views in regard to the apparent shift away from defined benefit plans in favor of defined contribution plans?

Answer: The growth in defined contribution plans does not mean that employers are replacing their defined benefit plans but, rather, are supplementing their defined benefit plans with defined contribution plans. Approximately one third of workers covered by pensions have double coverage. In 1980, only 15 percent of private pension plan participants were covered solely by defined contribution plans. Our figures indicate that the number of defined benefit plans has increased every year since 1956 (except for 1976), and in 1981, the number of such plans increased by over 19,000.

Question: Is this in the best interests of pension plan participants?

Answer: In the majority of cases, where employers have adopted defined contribution plans as a secondary plan in addition to a defined benefit plan, it is certainly in the best interests of plan participants. For example, an employer might adopt a profit sharing or thrift savings plan in addition to a defined benefit plan to provide additional incentives for workers and to provide increased retirement benefits.

In other cases where the participant has only one plan, whether any individual employee is better off with a defined benefit or defined contribution plan depends on that employee's age, work patterns, other individual characteristics, and the specific plan provisions.

Question: Is the ERISA law contributing toward this trend?

Answer: An employer will be influenced by many factors in determining the appropriate plan for its employees, including labor relations and tax considerations. It is not clear whether ERISA has had any impact on the type of plan chosen by employers. The treatment of these plans under ERISA does not seem to be a major factor in plan design. The following table shows the estimated percentage of plan assets held by defined contribution plans from 1950 to 1980 (the balance being held by defined benefit plans). The major period of growth appears to be between 1950 and 1965, prior to the passage of ERISA.

Estimated Portion of Private Pension Plan Assets
Held by Defined Contribution Plans, 1950-1980

Year	Defined Contribution Proportion
1950	.08
1955	.15
1960	.18
1965	.23
1970	.27
1975	.29
1980	.30

(Estimates are made by assuming that pension plans relative share of total private plan assets in 1980 is constant over its life. By using year of plan creation in the annual reports, the growth of defined contribution plan assets can be simulated over time.)

REVERSION OF PLAN ASSETS

Question: Pension fund assets may not revert to an employer unless the plan is terminated and contains more assets than are necessary to pay guaranteed benefits. The past year's stock and bond market rallies have fattened up pension funds. High interest rates have pushed down the prices of buying annuities for participants in terminated plans. Once guaranteed benefits are satisfied, the company can then recoup any "excess" assets.

The New York Times reported on November 29, 1983, that a pension actuary estimated that corporate pension plans are about $100 billion "overfunded." Since 1980, corporations including Occidental Petroleum, A & P, Harper and Row and GAF Corporation have terminated 138 plans and recaptured about $517 million in "excess" assets, and applications are pending to recapture an additional $676 million. What, if anything, should be done by the Department of Labor in response to the trend toward companies terminating well-funded pension plans and recapturing "excess" assets?

Answer: The Department has consistently taken the position that the employer's decision to terminate is a business decision not governed by the fiduciary provisions of title I of ERISA. We feel that in order to preserve the voluntary nature of the private pension system, such a decision must remain a business decision.

After examining many applications for terminations and careful review and analysis, the Administration has identified certain problems with the current rules governing this area. The ERISA agencies are taking the following steps to rectify the problems identified.

First, the PBGC is developing regulations which would prevent participants in terminated plans from receiving lump sum payouts based upon an unreasonable interest rate assumption. Lump sum distributions have occurred in some cases where employers have calculated the present value of such distribution by using the interest rates quoted by insurance companies for the group annuities purchased by the plan. The PBGC is revising its regulations to assure the use of a reasonable interest rate in the future as a basis for lump sum distributions.

A second administrative change is to clarify the definition of a successor plan in those situations where a defined benefit plan is terminated and a new defined benefit plan is established. Under current PBGC regulations, benefit accruals under the successor plan are insured on a phased-in basis over the first five years. PBGC rules will be amended so that this five year phase-in of benefit guarantees will not apply to successor plans. With this guarantee and the already existing minimum funding rules, we believe participants in successor plans will be protected.

A third administrative change to be made to PBGC rules will clarify that the "spin off" situation will not be recognized as a valid termination unless all participants in the plan are fully vested in their accrual benefits, and annuities are purchased to protect them. The purpose of this change is to ensure that participants in a spin-off termination are fully protected and such a termination meets all the requirements of law.

A fourth problem to be addressed is lack of participant knowledge of the law. The Department will take steps to require that summary plan descriptions make clear that the plan can be terminated and how benefits are to be calculated upon that event. This will assure that participants are aware that under some circumstances long-term expectations may not be realized.

It is imperative that we maintain an environment that will preserve our voluntary pension system and encourage employers to establish plans. The above administrative solutions deal with the specific problems the Administration has identified in this areaafter careful research and analysis. The solutions make unnecessary legislative changes that could have a negative impact on the defined benefit plan system.

Question: Does this pose a long term risk to the private pension system?

Answer: In the past year the Department, in conjunction with the other executive agencies which oversee ERISA, has carefully studied the reversion issues. It is our conclusion that the problem is very modest in size. We have seen no evidence to date that the reversion problem is of such proportions that the current system should be radically altered.

Questions Submitted by Senator William Proxmire

CONTRACT RESEARCH

Question: You are requesting a total of $800,000 in contract research funds for the Cooperative Labor-Management Program, an increase of $550,000 above the current level. In Fiscal 1983 there was no contract research program in this area. What specific research contracts have you entered into at this point? Give a one paragraph description of each.

Answer: In Fiscal 1984, we are engaged in the following contract research activity:

- o A panel study of changing practices in industrial relations, including labor-management cooperation. For three years, the Sloan School of Management has been conducting a major research study of U.S. industrial relations in transition. The study has centered on capturing and documenting major changes in the workplace, in the process and outcomes of collective bargaining and in the formation of strategies at the highest level of corporate and union decisionmaking. Our contract will permit the study to continue for an additional two years, on a selection of eight to ten bargaining units, to determine the permanence or transience of the changes.

- o The impact of "pay for knowledge" compensation structures. "Pay for knowledge" arrangements pay workers for levels of skills rather than for the specific job worked. This concept appears to be particularly useful when employed in conjunction with cooperative arrangements like autonomous work groups. The study will assess how the concept operates and what the impacts are on management, workers, collective bargaining and labor-management relations.

- o Labor-management-university cooperation in keeping a plant open. This will be an analysis of the efforts at the Tuscaloosa, Alabama plant of the Rochester Products Division of General Motors to prevent its closing through a unique partnership of the Auto Workers, General Motors and the University of Alabama. Through their mutual efforts, the decision to close was averted and the plant became a state-of-the-art "factory of the future."

Question: Were these sole-source contracts?

Answer: Both the panel study on changing practices in industrial relations and the case study in labor-management-university cooperation were sole source proposals. The pay for knowledge study will be a competitive procurement.

Question: What sort of contracts do you intend to enter into over the next 19 months if we provide you with the funds you are requesting?

Answer: The thrust of our activities will continue to be towards improving productivity and our international competitiveness. The proposed increase will allow us to direct our research efforts toward the critical human resources element in productivity and technological change. We may examine how industrial relations can play a role, what workers can do in cooperative arrangements, the impacts that productivity and technological change have on workers and industrial relations and what the factors are which facilitate or impede the growth of cooperation. These are broad research issues. They constitute more than can be done in one year but the increase will allow us to make a start.

PRINTING AND REPRODUCTION

Question: According to the appendix to the President's budget, LMSA spent $407,000 on printing and reproduction in fiscal year 1983 but plans to spend $696,000 on this activity in fiscal year 1985, an increase of 71 precent. Can you tell us why you are projecting such a large increase?

Answer: With the exception of $12,000 of inflationary cost the difference between dollars spent in FY 1983 and dollars planned for FY 1985 is associated with expanded efforts to promote cooperative labor-management initiatives.

Generally, funds will be utilized to implement and expand a comprehensive information exchange program. Specifically, the publication and dissemination of a broad range of reports on concepts of cooperation and worker participation, strategies and techniques, program processes and experiences, and institutional, organizational and individual outcomes; the periodic publication of an information digest to disseminate timely data on legislative and collective bargaining developments, conference activities, etc.; and, the preparation of publicly available education and training materials for use by other organizations in introducing key practitioners and interested parties to the concepts, techniques, experiences and benefits of cooperative relations.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENT OF CHARLES C. THARP, EXECUTIVE DIRECTOR

ACCOMPANIED BY:

HENRY R. THOMPSON, DIRECTOR, CORPORATE BUDGET DEPARTMENT

DAVID M. WALKER, DEPUTY EXECUTIVE DIRECTOR, INSURANCE OPERATIONS AND SYSTEMS MANAGEMENT

PREPARED STATEMENT

Senator WEICKER. Our next witness this morning is Charles C. Tharp, the Executive Director of the Pension Benefit Guaranty Corporation. Mr. Tharp, welcome; and your statement will be included in the record in its entirety. You may proceed as you wish.

[The statement follows:]

STATEMENT OF C. C. THARP

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to appear before you to present the Fiscal Year 1985 Budget for the Pension Benefit Guaranty Corporation (PBGC).

The PBGC was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA). It is a self-financing, wholly owned Government corporation charged with guaranteeing the basic benefits of most private defined benefit pension plans. Its major source of revenue is the mandatory premiums collected from over 100,000 pension plans including approximately 38 million participants covered by its programs. The PBGC receives no appropriations from the Congress.

For FY 1985 PBGC's public enterprise (revolving) fund revenues are estimated at $286,006,000, which is composed of $248,003,000 from premium income, $36,903,000 in investment income and $1.1 million of other income. The premium income estimate reflects a proposed increase in the single employer premium rate from $2.60 to $7.00, effective for plan year's commencing January 1, 1984 and after. Based on our projected expenses of $237,650,000 the current $2.60 premium level for single employer plans will not be sufficient to avoid substantial increases in the PBGC's deficit. A premium of $7.00 effective January 1, 1984 would enable the PBGC to retire its existing deficit of over $400 million in about fifteen years and thus put us on the proper course which leads to PBGC's preservation as a sound insurance corporation and which will guarantee that future pensions to our beneficiaries will be paid. Legislation will be submitted to Congress to increase the single employer premium rate to $7.00 as indicated in the President's budget.

Should the proposed increase in the premium to $7.00 effective January 1, 1984 not be enacted by Congress, PBGC's estimated revolving fund revenues would be reduced significantly. At $2.60, FY 1985 revolving fund revenues would total $127,596,000, compared to an estimated $286,006,000 under a $7.00 premium. Under a $2.60 premium the current PBGC deficit of over $400 million could grow to over $600 million by the end of FY 85.

With regard to PBGC's impact on the Federal budget, in FY 1985, for the first time the PBGC would add to the federal deficit, not defray it, unless the $7.00 premium is enacted.

The FY 1985 budget that we request is divided into three activities: Obligations for Benefit Payments, Financial Assistance and Program Administration.

The budget includes $182,000,000 to provide for pension benefit payments to participants and beneficiaries in terminated pension plans for FY 1985. This reflects our projection that by the end of FY 1985 PBGC will be responsible for monthly benefit payments of

an estimated 90,000 pay status participants and beneficiaries as compared with an estimated 75,000 pay status participants and beneficiaries for FY 1984.

The budget also includes $1,500,000 for the purpose of providing financial assistance payments to insolvent multiemployer plans that are covered by the Multiemployer Pension Plan Amendments Act of 1980. This program requires the PBGC to provide financial assistance to a multiemployer plan if it is or will become insolvent and unable to pay basic benefits when due.

Obligations for Program Administration in the amount of $33,057,000 represent a net decrease of $1,770,000 from the FY 1984 budget level. The net decrease is the result of a reduction in the start up costs of our integrated information and financial management systems and the result of ADP savings expected to be generated in FY 1985 once Project Computers benefits are achieved. We are pleased to be able to project that these reductions should more than outweigh the effect of the January 1984 pay increase as well as other price level adjustments related to normal operating needs.

The overall goal of the PBGC's FY 1985 budget is to provide the level of funding necessary (1) to make timely and uninterrupted payment of benefits to participants and beneficiaries of terminated pension plans covered by our program; (2) to provide financial assistance to covered multiemployer plans when required and; (3) to cover the management and administrative costs of the insurance programs we administer.

Some significant highlights and accomplishments for FY 1983 and FY 1984 follow.

In FY 1983 the Corporation received 6,800 termination notices, up from about 5,000 in FY 1981 and 6,000 in FY 1982. The number of cases processed in FY 1983 increased to about 5,000, up from about 4,300 in FY 1982, 4,200 in FY 1981.

By 1983 FY end, PBGC assets had grown to $1.1 billion, up from $545 million two years ago and $835 million one year ago. Benefit payments have increased to an annual rate of over $150 million, up from $60 million two years ago and $100 million a year ago. Unfortunately liability increases outpaced the growth in assets and the PBGC's deficit at FY 1983 year-end was up to about $400 million on the basis of preliminary estimates.

During FY 1983, PBGC established a new internal organizational structure in order to be better prepared to handle properly an increasing volume of business at the lowest costs, consistent with quality service and with proper utilization of personnel. Various functions of the Corporation have been brought

together as an operating whole. The reorganization is resulting in better coordination and increased operational efficiency, which we will be building upon in FY 1984 and FY 1985.

Also during FY 1983 PBGC initiated "Project Computers". Project Computers focuses on the development of a system that will permit record keeping, data processing, and financial management to be performed through an integrated data base, thus eliminating duplicate record keeping and data processing while consolidating what were over 50 individual systems. We expect some of Project Computers to be functional by the end of FY 1984 and the rest to be implemented in FY 1985. If we are able to achieve our optimal schedule, current projection of cumulative savings is over $5 million for the years FY 1985 to FY 1989.

Let me reiterate that the $7.00 premium increase contained in this budget is absolutely necessary to defray our accumulated deficit and to guarantee that our obligations will be met.

I am convinced that our initiatives of FY 1983, FY 1984 and those contemplated for FY 1985 will put us on the firm course of management efficiency and financial stability that is essential to our existence as a sound insurance Corporation and to guaranteeing payment of future pension benefits to some 40 million Americans.

That concludes my opening statement, Mr. Chairman. I thank you and the members of this committee for allowing the PBGC the opportunity to appear before you today. I will be happy to respond to any questions you may have.

Department of Labor

Agency: Pension Benefit Guaranty Corporation

Fund: Pension Benefit Guaranty Fund

Activity	1983 Actual		1984 Request		1984 Appropriation 1/		1984 Revised Request		1985 Estimate	
	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.
1. Program Administration	492	$29,040,000	492	$29,130,000	492	$29,130,000	492	$34,827,000	492	$33,057,000
2. Benefit Payments	—	131,409,000	—	129,519,000	—	129,519,000	—	156,000,000	—	182,000,000
3. Financial Assistance	—	739,000	—	500,000	—	500,000	—	1,500,000	—	1,500,000
Total.....	492	$161,188,000	492	$159,149,000	492	$159,149,000	492	$192,327,000	492	$216,557,000
Federal Funds...	492	$161,188,000	492	$159,149,000	492	$159,149,000	492	$192,327,000	492	$216,557,000
Trust Funds.....	—	—	—	—	—	—	—	—	—	—

1/ These amounts are for comparative purposes only, PBGC is as a self-financing Corporation and does not receive an appropriation.

INTRODUCTION OF ASSOCIATES

Mr. THARP. Thank you, Mr. Chairman. Allow me to introduce our Deputy Executive Director for Insurance Programs, David Walker, on my left, and our Director of the Budget Department, Henry Thompson, on my right. Also here in the room with us are our Deputy Executive Director for Resource Management, Royal Dellinger; Roderick O'Neil, our Associate Executive Director; Lawrence Maslan, our Director of Financial Operations; Peter Kirsch, our Director of Communications; and Henry Rose, our General Counsel.

SUMMARY OF OPENING STATEMENT

Mr. Chairman, I have a brief summary of our statement. It includes $182 million to provide benefit payments to participants and beneficiaries in the terminated plans we insure.

It includes $1.5 million to provide financial assistance to insolvent multiemployer plans covered by our insurance program and $33 million to cover our administrative costs, which I am pleased to note represent a decrease of $1.8 million from our fiscal year 1984 budget.

Mr. Chairman, the point in time that is facing us is a critical one. We have been growing quite rapidly in a way which we are not happy to report.

Our total assets at the end of 1981 were $543 million and our liabilities were $733 million. Our most recent estimate places estimated assets at $1.1 billion, liabilities at $1.5 billion for an accumulated deficit of $400 million.

It is for this reason that we need an increase in our single employer premium to $7 per participant effective January 1, 1984, and such a request is included in the President's budget.

Let me note in terms of the size of our program the number of participants and plans we have trusted was 71,000 in 1981. It's now estimated at 123,000 and even with this amount of growth in the programs that we insure and the payments that we make our budget reflects no increase in planned employment over recent budgets and a reduction of $1.8 million in administrative expense.

I might mention some significant initiatives. On cash management and debt collection we have in place an early acquisition of assets program to insure better control and least exposure when funds are left in the control of custodians.

We have procedures in place to reduce late payment of premiums and we have made use of private contractors to collect sums when it was more cost effective than doing it ourselves.

Second, on project computers I might note that 2 years ago the Corporation was found to have some 53 inconsistent systems onsite. We are now engaged in a major effort to replace them with a more modern system and will shortly have an IBM 4341 in place with substantial additional capacity which will enable us to both to save on current systems expenses and also to have programmatic efficiencies in the way we do our work.

Third, the most important part of this budget submission is a premium increase to $7. If the Corporation does not want to operate on a pay-as-you-go basis with a continuing deficit, an increase in the premium to $7 is absolutely imperative and the effective date must be no later than January 1, 1984.

Our current request for a $7 premium reflects the need to make up more nearly $100 million in lost revenue during 1983 largely as the result of a premium increase not being enacted last year. As a result of this revenue loss our estimate of the single employer deficit has now run to over $430 million.

PREMIUM INCREASE LEGISLATION

Senator WEICKER. Have you made that request of the appropriate committee?

Mr. THARP. We have. It's now pending before the Labor Committee and the Finance Committee of the House and Senate.

Let me note one final point in respect to this that makes this year more imperative perhaps than other years. Starting in fiscal year 1985, for the first time in the history of the program our cash flow will turn negative and will, for the first time, be adding to the Federal deficit as reflected in the President's budget accounts and not decreasing it.

This concludes my summary statement. I'd be happy to respond.

Senator WEICKER. Well, again, that's a matter out of the hands of this committee. Do we have figures that are necessary in the terms of our budget formulation should this not be enacted? That's obviously something that we've got to do in terms of being actuarially and fiscally sound in terms of the practice of our committee.

Mr. THARP. Yes, indeed. We have submitted a figure upon the basis of the premium presently in existence of $2.60 and another on the basis of a $7 premium request.

CASE PROCESSING BACKLOGS

Senator WEICKER. You are requesting a program increase for five new positions to reduce case processing backlogs. What is your case processing backlog now and how much would it be reduced with five extra staff?

Mr. THARP. I might note that this is a programmatic change within our overall levels. We have a 498 ceiling this year, 1984, and we will have the same ceiling in fiscal year 1985, but we will be shifting positions within the Corporation to address the backlog that you have just referred to.

We presently have a backlog in the case processing area of approximately 3,000. Our normal course of business in a given year is 6,000. We expect, in fiscal year 1985, to be processing about 6,000 cases.

We would expect that with these resources redirected to this particular end we could reduce the backlog by as much as one-third.

ANNUAL LIMITATION ON OBLIGATIONS

Senator WEICKER. Last year you were asked for the record why the Congress shouldn't place an annual limitation on the amount that could be obligated by the Pension Benefit Guaranty Corporation. You pointed out the problems that would arise if you had to go to Congress for supplemental appropriations and you also indicated that you would always work within the budgetary limits imposed by OMB and reviewed by the Congress.

The Veterans' Administration has come to the Congress and stated they have run out of money to pay veterans' benefits, and the Social Security Administration has come to us and stated they need additional funds to pay supplemental security benefits.

Why would this kind of requirement impose more of a burden on you than it does on the other two agencies?

Mr. THARP. I'm not familiar with the statutory arrangements of the two agencies that you referred to. I know in our case we are a reactive agency rather than a proactive.

We have to take the plans that terminate as they come in the door and if there are adverse economic conditions or even particular business conditions in the one industry and one company, that can mean a major difference in terms of the business we have to handle.

For instance, in fiscal year 1982 according to all of our projections and according to a normal extrapolation of business, we might have expected $100 million in losses. That was the year of the recession, as you are aware, Mr. Chairman, and we had $220 million in losses and a significant additional burden.

It is that kind of immediate reaction that may be good and sufficient reason for the arrangement we presently have.

I might add that since we are a self-financing agency we may be in a somewhat different category from the agencies that you referred to, and it's my understanding that other self-financing agencies have an arrangement similar to ours.

TERMINATION OF OVERFUNDED PLANS

Senator WEICKER. Pension fund assets may not revert to the employer unless the plan is terminated and contains more assets than are necessary to pay guaranteed benefits. The press has recently reported that corporate pension plans are about $100 billion overfunded.

This has apparently led to termination of dozens of pension plans by corporations in order to recapture hundreds of millions in excess assets.

What, if anything, should be done by the Pension Benefit Guaranty Corporation in response to the trend toward companies terminating well-funded plans and recapturing excess assets?

Mr. THARP. Mr. Chairman, this is a matter which is presently very much before us under title IV of ERISA. The termination questions reach us first before the other two pension agencies.

We presently have before us 61 cases involving excess assets reversion of over $1 million in each instance. Reversions in those cases total

about $1 billion and are related to plans including about 87,000 participants.

There are some significant policy issues involved in the area and I should advise the committee and yourself that this is presently under intensive review between the three agencies involved in order to reach a common policy decision on the new questions which have been presented in this area; and we are hoping very shortly to have the administration's position on this which can respond to the concerns that have been raised.

EMPLOYER LIABILITY

Senator WEICKER. Companies participating in multiemployer plans, such as the Teamsters, are liable for up to 100 percent of their net worth if they withdraw from the insufficiently funded multiemployer plan. Sponsors of single-employer plans, such as Chrysler, on the other hand, are held liable for up to 30 percent of their net worth if they terminate a plan with insufficient assets to pay guaranteed benefits.

This has resulted in what has been described as a program loophole where employers may take advantage of the termination of insurance programs by dumping their pension liabilities on the Pension Benefit Guaranty Corporation since their obligation to pay is greater than 30 percent of their net worth.

What rationale exists for holding companies responsible for single-employer plans liable for 30 percent of their net worth and companies withdrawing from multiemployer plans liable for 100 percent? And would the Corporation be better protected if single-employer liability were increased?

Mr. THARP. Well, as you are aware, Mr. Chairman, the pending legislation that is before the respective committees of the House and the Senate and is immediately before the Senate Labor and Human Resources Committee for their attention does close some of the loopholes in the single-employer area and we support those improvements.

We have been concerned about the abuse of transfers and other elements of the insurance program, and there are provisions in S. 1227 to close some of those loopholes.

Going back to your question relating to 30 percent of the net worth versus 100 percent net worth in the approach between the single-employer and multiemployer programs, I think this reflects—and I shouldn't attempt to guess at the intent of Congress in having drafted this—but I think it reflects a major difference in the way those programs are set up and the relationship of the pension liabilities to the size of assets of the different entities involved.

The Multiemployer Plan Amendments Act of 1980 is an extremely complex piece of legislation and I know there are questions raised as to whether it ought to be revised; the administration is studying the need for multiemployer revisions but we presently have no administration position on what ought to be done in the present session.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are further questions which I would like to have responded to for the record. Thank you very much.

Mr. THARP. Thank you very much, Mr. Chairman. We appreciate the opportunity.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

RISK RELATED PREMIUM

Question: The Multiemployer Pension Plan Amendments Act of 1980 (MEPPAA) directed the PBGC to conduct a study of the advantages and disadvantages of establishing a graduated premium rate schedule based on risk. Presently, employers are charged the same per capita premium regardless of how well funded their plans are. Some commentators in the business community have indicated that some risk-related premium structure would be a more appropriate basis for funding the Corporation's termination insurance program. PBGC has a risk-related premium study underway and had been expected to have a report available by this time. A key question is whether, compared to the current program, a risk-related premium would actually treat plans more equitably, and whether the magnitude of any increase in equity would be worth the additional administrative costs--both to PBGC and employers--to change the program.

When will the PBGC have available its study of the advantages and disadvantages of establishing a graduated risk-related premium structure?

Answer: The PBGC study, required by the MPPAA of 1980, on the advantages and disadvantages of establishing a graduated risk-related premium rate is currently being reviewed by our Board of Directors. The Board is composed of the Secretaries of Labor (Chairman of the Board), the Treasury and Commerce. The study will be conveyed to the Congress as soon as it has received the Board's approval.

PENSION RATES

Question: Your statement indicates that unless legislation is enacted to increase the premium rate charged single employers from $2.60 to $7.00, your agency's deficit could grow from $400 million to over $600 million, by the end of Fiscal 1985.

What is the outlook for the authorizing committee's approving this legislation?

Answer: We believe the outlook is good. S. 1227 has recently been reported to the full Senate Labor & Human Resources Committee by the Labor Subcommittee, and action is expected shortly.

Question: How can you make sure pension plans are properly paying their insurance premiums?

Answer: The Corporation currently has in place automated capabilities to ensure that pension plans are paying their full premiums when due. These include:

- identifying and issuing dunning letters to plans which filed in a previous plan year but not for the succeeding year,

- calculating and issuing bills for underpaid premiums, late payment penalties and interest based upon the plan type, participant count and plan year commencement date reported by the plan administrator,

- identifying plans which have reported a significant decrease in participant count from one plan year to the next as a means of detecting potential underreporting of participant count,

- matching filings on the IRS 5500 file with those on the PBGC-1 file to identify non-filers and plan type and/or participant count differences for all major plans and many smaller plans,

- identifying terminated plans in order to verify that all required premiums have been paid and,

- editing all data fields on the PBGC-1 to verify the calculation of amounts due and the consistency of plan information reported from one year to the next.

REDUCING BACKLOGS

You are requesting a program increase for 5 new positions, to reduce case processing backlogs and augment debt collection efforts.

Question: What additional results do you expect to achieve in debt collection activities?

Answer: In the areas of employer liability and unpaid contributions, the Corporation will continue to place significant emphasis on negotiating favorable collection and more timely collection of any amounts due the Corporation. With regard to employer liability payments, the Corporation is currently revising a number of its practices to provide for timely billing for this liability and incorporating economic incentives for earlier payments by employers. In addition, the Corporation has recently formed an Employer Liability Working Group to oversee this area, including the negotiation process, in an effort to further assure that we maximize our recovery.

Also, by emphasizing the processing of insufficient termination cases we expect to further minimize benefit overpayments and to begin recoupment on a more timely basis.

In the premium area we hope to expand the scope of some of our collection procedures where it is cost beneficial to do so. For example, through the use of private contractor assistance, we plan to process a backlog of approximately 15,000 potential premium debtors. In addition we plan to do another mismatch study identifying plans that may have filed 5500's and should have filed PBGC-1's but did not. The estimated return from these efforts is $2.5 million.

Question: Can you really achieve more results in these areas, when OMB is requiring you to make an offsetting cut of 5 staff which wipes out an overall increase for your agency?

Answer: The offsetting cut of 5 staff is possible because of anticipated increases in efficiency and productivity. These include greater use of automation in the premium collection and case processing areas, greater use of private contractors where it is more cost beneficial than using in-house staff and continued streamlining of procedures and regulations in order to reduce paperwork and processing time.

RECAPTURING PENSION ASSETS

Pension fund assets may not revert to an employer unless the plan is terminated and contains more assets than are necessary to pay guaranteed benefits.

The press has recently reported that corporate pension plans are about $100 billion "overfunded". This has apparantely led to termination of dozens of pension plans by corporations in order to recapture hundreds of millions in "excess" assets.

Question: Does this pose a long term risk to the Corporation and pension plan participants?

Answer: No. The termination of pension funds coupled with recapture of any "excess" assets by the plan sponsor does not, in and of itself, pose any significant increased risk to the Corporation or plan participants and beneficiaries. Currently, ERISA provides in Section 4044(d) of Title IV that an employer (sponsor) of an on-going pension plan may not cause the plan's funds to be paid to or used by the employer. Plan funds are required to be used for the exclusive benefit of the participants of the pension plan. However, if the plan is terminated and all participants receive their full accrued benefits in the form of purchased annuities, the law permits the excess assets to revert to the employer provided:

(A) all liabilities of the plan to participants and their beneficiaries have been satisfied,

(B) the distribution does not contravene any provision of law, and

(C) the plan provides for such a distribution in these circumstances.

Therefore, since a termination requires the plan sponsor to fully vest its participants to the extent of accrued benefits and purchase guaranteed third party annuity contracts for said accrued benefits as of the date of plan termination, any real risk to plan participants and beneficiaries and the PBGC relative to these type transactions would relate only to future funding considerations, assuming participants are included in a new defined benefit plan.

The termination of a pension plan coupled with a recapture of excess assets might represent a small risk to the Corporation and plan participants and beneficiaries in certain unusual circumstances. This would relate primarily to actions by weak plan sponsors in conjunction with the re-establishment of a new defined benefit plan or the transfer of a pension plan from a strong to weak plan sponsor in conjunction with a sale of stock or assets of the sponsor. These situations are very isolated when considered in conjunction with the typical plan sponsor who has a significantly overfunded pension plan and seeks to obtain a reversion. However, Senate Bill 1227 which is sponsored by Senator Nickles of the Senate Labor and Human Resources Committee, contains certain provisions which would tend to deal with both these issues and mitigate these increased risks. This includes providing certain contingent liabilities in instances where strong plan sponsors transfer their pension plans to a weak plan sponsor and for the PBGC to share in the profits of any ongoing company over and above the 30% net worth limitation should it terminate the pension plan with an insufficiency and continue in business. The PBGC strongly supports these proposals which would serve to protect against potential abuses arising from minimum funding waivers and abusive plan transfers.

In summary, the recovery of excess assets does not represent a significant increased risk to the PBGC or plan participants and beneficiaries. Consideration must be given to the fact that, should plan sponsors not be entitled to recovering any excess assets which occur due to aggressive funding, favorable investment performance and/or increased annuity rates, this may have an adverse impact on the plan sponsor's willingness to aggressively fund their defined benefit pension plans in the future. This would obviously not be to the benefit of the PBGC nor to plan participants and beneficiaries.

The largest single risk to both parties, both in the short and long-term stems from poorly funded plans, particularly those in mature or declining industries. The enactment of legislation which deals with potential abuses of the system relative to these type plans, coupled with an increase in the current insurance premium to a realistic level, would be the most important step Congress could take to ensure the continuation of a sound insurance system.

Question: Do you know how many plans fit this category and how many "excess" assets have been recaptured?

Answer: The PBGC does not currently have information available regarding how many defined benefit plans are overfunded and how much in potential excess assets exist. This type of information may be available through the Department of Labor. However, we do know that from January 1, 1980 through December 31, 1983, a total of 162 pension plans have terminated which involved reversions of $1 million or more. Their total reversions amounted to $1.149 billion. In addition, as of March 1, 1984, the PBGC had 61 cases currently pending involving excess assets reversions of over $1 million for a total of $995 million in potential reversions. While there has been an increase in the trend both as to the number and size of reversion cases since 1982, this has primarily been caused by the significant upsurge in the equity markets since August 1982 and the very high annuity rates currently available for the purchase of accrued benefits as compared to plan funding rates. These conditions could not have been anticipated by the plan sponsors and in fact represent a very rare economic occurrence.

In summary, in the aggregate all reversions from January 1980 to date have amounted to about 1/3 of 1% of the total assets for all single-employer defined benefit plans insured by the PBGC. Therefore, while the excess assets issue has received widespread attention, it does not represent a sizeable occurrence or problem.

COST/BENEFIT OF ADDITIONAL STAFF

Question: At last year's hearing, this committee asked you to supply a cost-benefit analysis of the impact of additional staffing in your agency. (page 209)

What analysis and research have you undertaken in this area?

Answer: The Corporation has not performed a formal cost-benefit analysis of the impact of additional staffing. Because of certain efficiency measures recently put in place, as well as those contemplated for FY 1984 and FY 1985, we feel that such analysis would be more meaningful after the real effect of the improvements is better known. Although no formal cost-

benefit analysis has been performed, the Corporation, under its present organizational structure, has established a Resource Allocation Committee consisting of the Executive Director, the Associate Executive Director, the two Deputy Executive Directors, and the Director of the Corporation's Budget Department.

These key officials, who represent all functions of the Corporation, meet bi-weekly to review resource allocations in conjunction with the Corporation's priorities and budgetary analyses prepared by in-house staff. Through this means we have been able to make certain shifts in our existing levels of resources to, at least on an interim basis, meet our more pressing needs.

Question: Are there specific areas where you can show that additional staff resources would result in a net savings to the program?

Answer: As a result of increased staff efficiency expected from, the implementation of "Project Computers", the recent reorganization of the Corporation's personnel and other management improvement initiatives, the Corporation's FY 1985 budget reflects a shift of 5 positions within its existing ceiling to augment existing staff capacity in areas of case processing, legal caseload and debt collection. We expect the additional staff capacity in these areas will enable us 1) to accelerate the processing of termination cases, 2) to better handle the increasing demands in the legal caseload area and 3) to increase premium collection activity. The increased activity in these areas should result in net savings to the program.

Questions Submitted by Senator William Proxmire

EQUIPMENT

Question: Last year at this time you expected to spend $74,000 on equipment in fiscal year 1983. You actually spent $1,137,000. Last year's projected equipment expenditures for fiscal year 1984 were put at $74,000. Your latest estimate is $3,415,000. Why the dramatic change in your original estimates?

Answer: The additional equipment amounts spent in FY 1983 and estimated for FY 1984 cover the acquisition of new computer hardware and software.

Question: (If the answer is that more money was spent on computers) Why weren't you in a position to tell us about this

new computer initiative when you presented your 1984 budget to us last year?

Answer: As noted in our FY 1984 Congressional Budget, when our FY 1984 budget was presented last year the Corporation was still in the process of evaluating its corporate systems and data processing needs. It was already clear, that with some 53 different systems in-house, many of which were outmoded, an additional expenditure was needed. At that point, it was not yet clear whether we would lease or purchase the equipment and software or, whether our FY 1983 and FY 1984 budgets would be adequate to cover these initial costs.

By the end of FY 1983, we were in a position to make these determinations and by reprogramming funds from contracts and other areas of our budget, we were able to absorb the costs of the mainframe.

However, for FY 1984, we could not absorb all of the costs and, as a result, had to get approval of additional obligating authority from OMB, which is reflected in the latest estimate of $3,415,000. This expenditure will enable us to make substantial savings and achieve improved efficiency in our operations. The timesharing savings alone is estimated at $5 million for the years FY 1985 to FY 1989.

TEMPORARIES

Question: You apparently used a great deal more part-time help in fiscal year 1983 than you originally projected. In last year's appendix to the budget you estimated expenditures of $237,000 for other than full-time personnel in 1983. Your actual outlays were almost three times as much -- $663,000. What happened?

Answer: The additional expenditures for other than full-time permanent personnel were incurred primarily in the premium collection area. In FY 1983, the Corporation intensified its debt collection efforts as part of an Administration-wide initiative. A substantial portion of the activity in the premium area is seasonal, i.e., some 75% to 80% of premiums are due during the months of July and August. This peak activity period is best handled using other than full-time permanent personnel to augment existing staff capacity in this area. We see no need to build in full-time permanent staff to handle this seasonal peak. Because the Corporation had experienced some problems filling some of the additional 40 positions we were authorized in FY 1983 in other areas, we were able to shift the related FTE hours to enable us to handle more effectively the peak workload in the premium area.

EMPLOYMENT STANDARDS ADMINISTRATION

STATEMENT OF SUSAN R. MEISINGER, DEPUTY UNDER SECRETARY FOR EMPLOYMENT STANDARDS ADMINISTRATION

ACCOMPANIED BY:

LAWRENCE W. ROGERS, DIRECTOR, OFFICE OF MANAGEMENT, ADMINISTRATION, AND PLANNING

KAREN S. SEVERN, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT

PREPARED STATEMENT

Senator WEICKER. We will now hear from Susan R. Meisinger, the Deputy Under Secretary for Employment Standards at the Department of Labor.

Ms. Meisinger, please be seated and introduce those accompanying you. You may proceed as you wish, and your entire statement will be included in the record.

[The statement follows:]

32-375 O - 84 - 37

STATEMENT OF SUSAN R. MEISINGER

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1985 budget request for Salaries and Expenses is for $216,782,000 and 4,130 positions. This represents an increase of $5,633,000 and a reduction of 110 positions compared to FY 1984 funding levels. This amount reflects both mandatory increases because of higher operating costs, and program decreases related to reduced staffing levels as a result of management initiatives.

The Special Benefits Fund request for FY 1985 is for $1,091,400,000 of which $211,400,000 is a direct appropriation to the Department of Labor and $880,000,000 represents reimbursements from other agencies' appropriations or revenues. The FY 1985 Black Lung Disability Trust Fund request is for $950,000,000.

ESA is also requesting a FY 1984 Supplemental Appropriation of $3,143,000 for costs related to the January 1984 pay raise for Federal employees.

We have been making great efforts in ESA to improve productivity in order to better serve the public and to reduce the funds we need to do our job well. We have made substantial progress in this effort.

ESA's productivity has risen over the past several years, and should continue to improve in both FY 1984 and FY 1985. In each program area, ESA's operational plans call for increased investment in ADP program development and the long-run preparation for an ESA-wide ADP support system. This common system, integrating all ESA programs, will provide managers and staff with the capacity to track cases or claims, provide management information on caseloads, and provide daily operational capacity to the employee benefit claims programs. These management improvement efforts together with numerous cost savings initiatives have allowed ESA to reduce positions in the Wage-Hour Division, the Office of Federal Contract Compliance Programs (OFCCP), the Black Lung program, and in Executive Direction and Support Services without any loss of service to the public.

Enforcement of Wage and Hour Standards

A total of $74,844,000 and 1,456 positions is requested for the Wage and Hour Division. This reflects a reduction of 15 positions below FY 1984, which will largely be offset by productivity increases and streamlining of management and support activities.

In the Fair Labor Standards (FLSA) Program, we will continue to focus on workers in low wage industries. Approximately 71,000 investigations will be completed, including 13,500 Special Targeted Enforcement Program (STEP) investigations directed at employers and industries suspected of hiring illegal aliens at substandard wages. In the Government Contracts Wage Standards program, about 3,900 investigations will be completed.

Enforcement resources available for the Migrant and Seasonal Agricultural Worker Protection Act (MSPA) will be focused on the worst violators of standards affecting the living and working conditions of affected workers. Compliance actions under MSPA will total 4,600, covering 110,000 workers.

The Wage and Hour Management Information System (WHMIS), an automated case tracking and statistical information system, was implemented during FY 1984. Phase II of the WHMIS will include the development of four subsystems: the MSPA registration process; Section 14 certification procedures under FLSA; back wage collections and disbursements; and civil money penalty tracking for both child labor and MSPA. The more timely availability of enforcement data from the WHMIS will provide for greater program accountability and productivity.

Federal Contractor EEO Standards Enforcement

A total of $48,630,000 and 964 positions is requested for activities which enforce statutues and an Executive Order prohibiting employment discrimination by Federal contractors on the basis of race, color, sex, religion, national origin, handicapped or certain veteran status. The funding level reflects a continuation of the FY 1984 program level and will permit increases in program outputs due to improved procedures and management initiatives. There will be a 15 position reduction made through realignment of functions and supervisory structures. There will be no adverse impact on program operations.

The number of compliance reviews to be conducted is 5,450, a six percent increase over FY 1984. This accomplishment level reflects productivity gains expected to be realized from improved procedures and anticipated regulatory changes as well as continued internal and external management initiatives. A number of steps have been taken to assure that complaint workloads are under control and that prompt service is being rendered to complainants.

Significant progress continued to be made in encouraging Liaison Groups to form, made up of a broad spectrum of parties interested in the compliance process. These groups explore general compliance problems and solutions in a cooperative, non-confrontational setting. They are providing valuable input on ways to improve the compliance process, and are addressing aspects of affirmative action unique to their employment situations or industries. OFCCP provides advice and technical assistance to these groups. This initiative was begun in FY 1982 and by the end of FY 1983, 188 such groups had been formed.

Federal Programs for Workers' Compensation

In the Workers' Compensation Programs, we continue to be committed to ensuring that needs of both claimants and their employers are protected throughout all stages of processing and adjudicating claims for compensation, medical, and other benefits provided by the various programs. Quality claimant service as well as reducing costs and vulnerability to fraud, waste, and mismanagement remain top priorities.

Federal Employees' Compensation Act

A total of $46,931,000 and 928 positions is requested to manage the Federal Employees' Compensation Act (FECA) Program for FY 1985. Production and performance are expected to remain at least at FY 1984 levels. Management initiatives have contributed to improvements in processing cases and making benefits payments within more acceptable timeframes.

Increased efforts will be applied to the quality reviews of medical bills and to reviewing extended disability cases. Expanded rehabilitation and debt collection activities will be conducted and special attention will be given to the management of actual and potential long-term disability cases which will improve the quality of decisions concerning entitlement to benefits. Work continues on the complete automation of the Level II ADP system which will be installed in all District Offices by the end of calendar year 1985.

The program to investigate questionable claims, in the FECA program, will be broadened to include the investigation of new claims during the developmental stages prior to adjudication. In addition, the program will utilize Office of Workers' Compensation Program staff, as well as Wage-Hour and OFCCP Compliance Officers. The program has been very successful in reducing the number of claimants on the rolls who are no longer eligible for FECA benefits.

The Administration continues to support FECA reform legislation to modify the benefit structure and make other improvements in the Federal Employees' Compensation Act. In the meantime, we will implement certain claims processing improvements which would be supported by, but not wholly dependent upon, new legislation. And until these reforms are enacted, we will ask the Congress to keep the timing of FECA cost of living increases parallel to that provided Civil Service retirees, since those disabled in the Federal service have the option of choosing FECA or disability retirement.

Longshoremen's and Harbor Workers' Compensation Program

In FY 1985, we are requesting 157 positions and $7,710,000 for the administration of the Longshore and Harbor Workers' Act (LHWCA) program. The request will enable the program to continue its priorities of timely and accurate processing and adjudication of claims, the close monitoring of compensation payments, and the prompt rehabilitation of injured workers. An ADP system which will integrate case management, and fiscal and insurance functions is being developed with implementation scheduled for FY 1985.

Amendments to the LHWCA may be enacted during this session of Congress, which would modify the benefit structure, and reduce coverage, and cost-of-living increases.

Black Lung Program

ESA is requesting 401 positions and $23,311,000 to administer the Black Lung program in FY 1985, reflecting a decrease of 55 unfunded and unfilled positions from the FY 1984 level.

The Black Lung Benefits and Revenue Amendments of 1981 have moved the Black Lung program closer to a workers' compensation model,

and thus have had the twin effects of reducing the number of miners filing for benefits and reducing the approval rate of claims. This has enabled us to reduce staff while maintaining the timely adjudication of claims.

Two studies, mandated by the 1981 amendments, concerning the medical criteria for benefits eligibility and the overlap of program benefits with other income sources, were completed in FY 1983. The medical study is undergoing an intensive review and critique by a panel of experts in the fields of pulmonary medicine and radiology to assure that the findings reflect the most current and qualified scientific views concerning coal mine workers' pneumoconiosis and its diagnosis, and will be transmitted to the Congress in the fall of 1984. The benefits study (Black Lung Benefits Income Study) was sent to the Congress in October 1983.

Executive Direction and Support Services

A total of $15,356,000 and 224 positions is being requested for Executive Direction and Support Services. This reflects a reduction of 25 positions as a result of management initiatives to improve our efficiency while maintaining support needed by program operations.

As part of Reform '88, ESA will continue to improve its cash management, debt collection, and prompt payment activities. It will also continue to respond to the provisions of the Federal Managers' Financial Integrity Act. Continued efforts will be made to strengthen and improve the on-going program of internal controls designed to discover instances of waste, fraud, and mismanagement by conducting audits, program reviews, and investigations of employee complaints.

Attention will be given to maintaining a strong liaison function with the States to foster Federal/State cooperative agreements and avoid duplicative efforts. Research activities to support short and long-term policy and management decisions in the programs will continue, with much of the work done on an in-house basis. ESA will also continue the implementation of its five-year plan for the development of an agency-wide ADP information system which will provide managers and staff with the capacity to track cases and claims, supply management information on caseloads, and furnish daily operational support to the employee benefit claims program.

Conclusion

Mr. Chairman, this concludes my formal statement. The budget request reflects our concern for maintaining a proper balance between program needs and the need to keep costs at a reasonable level. My staff and I will be pleased to answer any questions which either you or members of the Subcomittee might have.

Department of Labor
Employment Standards Administration

Salaries and Expenses

Activity	1983 Actual		1984 Request		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Enforcement of Wage and Hour Standards	1,471	$69,827,000	1,471	$72,669,000	1,471	$72,614,000	1,471	$73,995,000	1,456	$74,844,000
Federal Contractor EEO Standards Enforcement	979	43,815,000	979	47,393,000	979	47,356,000	979	47,833,000	964	48,630,000
Federal Programs for Workers' Compensation	1,050	46,679,000	1,075	52,213,000	1,075	52,156,000	1,075	52,859,000	1,075	54,244,000
Trust Funds	10	374,000	10	380,000	10	380,000	10	389,000	10	397,000
Executive Direction and Support Services	223	12,995,000	225	13,560,000	225	13,551,000	225	13,796,000	200	14,264,000
Total	3,733	$173,690,000	3,760	$186,215,000	3,760	$186,057,000	3,760	$188,872,000	3,705	$192,379,000
Federal Funds	3,723	$173,316,000	3,750	$185,835,000	3,750	$185,677,000	3,750	$188,483,000	3,695	$191,982,000
Trust Funds	10	$374,000	10	$380,000	10	$380,000	10	$389,000	10	$397,000

Department of Labor
Employment Standards Administration

Black Lung Disability Trust Fund

Activity	1983 Actual		1984 Request		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Benefit payments and interest on advances	---	$825,255,000	---	$827,269,000	---	$827,269,000	---	$827,269,000	---	$910,781,000
Pay freeze savings	---	---	---	-37,000,000	---	-9,250,000	---	-9,250,000	---	---
ESA, Salaries and Expenses	505	21,192,000	480	21,949,000	480	21,949,000	480	22,277,000	425	24,403,000
Departmental Management:										
Salaries and Expenses	---	13,097,000	---	13,406,000	---	13,406,000	---	13,406,000	---	13,688,000
Inspector General	---	---	---	620,000	---	620,000	---	620,000	---	372,000
Appropriation available in prior year	---	-4,692,000	---	---	---	---	---	---	---	---
Appropriation available from prior year	---	---	---	---	---	---	---	4,161,000	---	---
Total	505	$854,852,000	480	$826,244,000	480	$853,994,000	480	$858,483,000	425	$949,244,000

Department of Labor
Employment Standards Administration

Special Benefits

Activity	1983 Actual		1984 Request		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Federal Employees Compensation Act benefits	---	$335,600,000	---	$228,000,000	---	$216,000,000	---	$216,000,000	---	$207,000,000
Longshore and Harbor Workers' Compensation benefits	---	4,000,000	---	4,100,000	---	4,100,000	---	4,100,000	---	4,400,000
Legislative proposal	---	---	---	-17,000,000	---	---	---	---	---	---
Total	---	$339,600,000	---	$215,100,000	---	$220,100,000	---	$220,100,000	---	$211,400,000

INTRODUCTION OF ASSOCIATES

Ms. MEISINGER. On my right is Lawrence Rogers, who is my Administrative Officer, currently acting as Director of the Office of Workers' Compensation Programs. On my left is Ms. Karen Severn, who is my Financial Officer.

Basically what I would like to do is make my statement a part of the record and, in the interest of time, answer any questions you might have.

Senator WEICKER. Well, I appreciate that, and we do have a series of very tough questions that have been propounded by the legislative assistant whom I especially called in on this part of the hearing. So please don't take umbrage at the chairman. It's my staff. [Laughter.]

Ms. MEISINGER. I appreciate that, sir.

FEDERAL CONTRACTOR EEO STANDARDS ENFORCEMENT

Senator WEICKER. You are requesting a cutback of 15 positions and $1,334,000 in the Office of Federal Contract Compliance Programs which your budget justification materials state can be achieved by reducing overhead without impairing program operations.

Specifically what overhead will you be reducing, and why not utilize savings from management efficiencies to further improve program operations?

Ms. MEISINGER. Some of the overhead reductions will be in supervisory functions. Currently, we are somewhat overstaffed in some areas of the country in supervisory levels as well as in the national office. I think with the reduction that we are taking we will in fact, in some instances, increase our productivity and I think with this cut we will improve our performance by an estimated 6 percent.

The history of the program is such that in 1978 when contract compliance functions and staffs of several agencies were consolidated within the Department of Labor, the newly consolidated Office of Federal Contract Compliance Programs was structured to support existent staff and GS levels more than to support organizational needs. I think we are moving more toward a structure based on organizational needs.

BLACK LUNG PROGRAM

Senator WEICKER. Your budget material indicates that a pending court action could substantially increase black lung costs and require a supplemental, and the staff tells me this litigation could increase the workload by at least 10 percent.

Do you have any contingency plans for handling substantial additional caseloads that could result if the Federal Third Circuit Court of Appeals ruling in the *Halon* case is upheld?

Ms. MEISINGER. Currently, we are watching the decision closely and we have not made contingency plans because we want to follow the case first. It appears that the administrative law judges are not now following that case in their rulings, and unless and until we see that the

decision has or will have an impact on our program, we think it would be premature.

Senator WEICKER. Last year you projected that your claims inventory would return to an acceptable level of processing in fiscal 1984. In this year's justification you estimate that the backlog will be 6,300 in fiscal 1984. Last year's budget projected an inventory of 5,780 claims for fiscal 1984. This year's budget says such a reduction won't be achieved in fiscal 1985. So where do we go?

Ms. MEISINGER. We are working on the backlog. Part of the reason the backlog has not dropped as quickly as we had hoped is the result of the 1981 amendments which created somewhat of a bulge with cases that we had to process for a shift into a trust fund payment status.

We are now close to a current processing basis with new claims that come in. Seventy percent are handled within 180 days, which is within reasonable terms for occupational disease type claims under workers' compensation.

We are projecting for 1984, that 90 percent of the new claims will be handled within that 180-day period.

What I would like to do is ask if Mr. Rogers has any further response.

Mr. ROGERS. Not really. We are keeping up with the new cases that are coming in the door, doing them in about 6 months. We think we will work through the backlog by the end of this fiscal year, and will reduce it a little bit further in fiscal year 1985.

ENFORCEMENT OF WAGE AND HOUR STANDARDS

Senator WEICKER. The staff director points out that complaints under the Fair Labor Standards Act went up sharply from 1982 to 1983. According to page ESA–17 of last year's justification, you had 15,756 complaints. At the end of the fiscal year 1982, you expected to have 16,000 complaints in inventory at the end of 1983. It now turns out you actually had 19,089 complaints in the inventory at the end of 1983. That means about 3,000 complaints above your 1982 level.

Why has your number of complaints in inventory risen so?

Ms. MEISINGER. That number is the result of a number of things. In part, it reflects the conversion to a new management information system at the start of fiscal year 1983 which more accurately reflects what is going on in the field.

The 1983 year-end inventory also is a reflection of compliance officer turnover in wage hour where we had about 10-percent attrition this past year and hired roughly 100 new compliance officers. A new compliance officer is not as productive as somebody that's been there for a while. We believe we can work that inventory down in the coming year.

Senator WEICKER. I suppose the picture that I'm getting in both these areas is that you very well could be understaffed.

Ms. MEISINGER. I don't believe we are, sir.

Senator WEICKER. And you're trying to achieve a budget savings by an unrealistic approach to what is actually occurring to your agency.

That is of concern to me. What did you ask for? Let me put it this way:

Did you ask for a higher staffing level, or are these the ones that you are coming out with after the discussions with OMB?

Ms. MEISINGER. No; these are our requests to OMB.

Senator WEICKER. Nothing would change as a result of OMB review of the budget?

Ms. MEISINGER. No.

Senator WEICKER. Well, let me say this. And I want the record to show I'm certainly willing to accept at face value your assurances as to what you are going to do here, but I also have to point out that if these statistics appear next year as they are now, we are going to have a tough time across the table here.

If the figures aren't turned around, you should be the first one to be asking for the necessary help, not me.

Mr. ROGERS. The figure here is an inventory figure. We try to handle complaints within about a 4-month time period. We have given more emphasis to inventory handling, and we think that we will continue to handle those complaints in about a 4-month period on the average.

What we emphasize is not having a complaint come in and linger without some resolution, and that resolution time we think is staying about the same.

Senator WEICKER. You also indicated last year you hoped to complete action on 50,000 complaints in 1983 and actually completed action on only 43,313 complaints. Why the shortfall?

Mr. ROGERS. The figures you have cover a period when we had a change in our management information system. Previously much of our data was collected manually and some of the data was estimated. Beginning in fiscal 1983, we implemented the new automated information system, and what we found was that there had been a double counting of compliance actions by about 12 percent.

When you look at the old figures and apply a 12-percent deflator, the trend is about the same in 1982 and 1983, and we're estimating an increase in 1984.

Ms. MEISINGER. As an example, when we referred a case to the Solicitor's Office for review and they referred it back for further investigation, that was counted as two cases under the old system. What we are trying to do is streamline it so that it gets counted as one.

Senator WEICKER. You project complaints to be completed in 1985 as 50,000, 7,000 more than you completed in 1983. Yet you're cutting staff by 15.

Mr. ROGERS. I have some additional information on the duplication of compliance actions in the old reporting system. Take fair labor standards. After we went through and applied the newer definitions that are used in the current automated system, the 1982 compliance actions would have been 64,800, and the 1983 actual would have been 64,200.

We believe with the newly trained compliance officers coming into the system in 1984, we will raise that total to 71,000. Fiscal years 1982 and 1983 were about the same if we applied the same kind of accounting definition to the data.

FEDERAL EMPLOYEES COMPENSATION PROGRAM

Senator WEICKER. I have had considerable difficulty obtaining timely and adequate responses from your Boston regional office to my inquiries about workers' compensation cases. Is this a nationwide problem, or is the Boston regional office worse than most in handling Federal Employee Compensation Act cases?

Ms. MEISINGER. It is not a national problem. We have had some problems in the Boston office because of high staff turnover. Those vacancies have been filled. We still have somewhat of a backlog because we are now in extensive training for new claims examiners, but we feel we will have that regional office up and running in the fiscal year at top efficiency.

Senator WEICKER. What is the average age of the 100 oldest Federal Employees Compensation Act cases in the Boston regional office?

Mr. ROGERS. We don't have it.

Ms. MEISINGER. We can submit it.

[The information follows:]

FEDERAL EMPLOYEES' COMPENSATION ACT CASES—BOSTON REGIONAL OFFICE

In answer to Senator Weicker's question about the 100 oldest cases in the Boston office, it should be understood that the FECA claims are divided into two categories: traumatic injuries and nontraumatic or occupational disease claims. Traumatic claims comprise almost 90 percent of the FECA claims (for example, broken bones, sprained ankles, dog bites, et cetera) and are usually decided quickly.

Occupational disease cases, on the other hand, are often complex and may take time to accumulate the necessary information to reach a decision. These are the claims for asbestosis, hearing loss, radiation exposure, and other illnesses. The exposure causing the injury may have occurred many years before. Asbestosis often has an incubation period of 25 years or more.

In Boston, the average age of the 100 oldest cases is just under 4½ years. Of these cases, 97 are occupational disease claims while only 3 are traumatic injuries. A large portion of the occupational disease claims are either asbestosis or hearing loss, both especially difficult claims: asbestosis because it is so difficult to identify and prove exposure up to a quarter of a century back; hearing loss because it is difficult to separate the occupational hearing loss from hearing loss due to aging.

While these cases are of a difficult type to adjudicate, many of them could have been decided, either yes or no, had the office been better managed. With the new managers and claims examiners placed in the Boston office in the past year, the older cases should be resolved promptly. Resolution of these cases has been made a priority for that staff. Over 70 of the cases have already been sent to the medical section for review, and decisions on these are expected during the next 2 months.

STAFF TURNOVERS

Senator WEICKER. How does staff turnover in this office compare to other regional offices?

Ms. MEISINGER. I would have to look.

Mr. ROGERS. Well, it's significantly higher. I think 10 of our 18 claims examiners turned over in that office last year, which is a very high percentage. We also had a change in the assistant regional administrator who actually heads the activity in that office, and the second person in charge of the office. So there has been a tremendous turnover in the professional staff in that office. It's very high.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record. We thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

BLACK LUNG - POSSIBLE SUPPLEMENTAL

Question: Your budget material indicates that a pending court action could substantially increase Black Lung costs, and require a supplemental. What kind of staffing revisions and added administrative money might be needed?

Answer: Although the issue is continuing to be tested in other courts of appeals, if the Federal 3rd Circuit Court of Appeals' ruling on the Halon case ultimately is applied nationwide, a maximum of 1,407 cases would be awarded benefits. The award of these cases would require an initial outlay for retroactive benefits of $50,000,000, and a total lifetime outlay of $211,000,000. If a large number are awarded during FY 1984, a FY 1984 supplemental may be required. To date, however, less than a dozen awards have been made. No additional staffing revisions or administrative money would be needed.

BLACK LUNG CASE BACKLOG

Question: Last year, you projected that your claims inventory would return to an "acceptable" level of processing in Fiscal 1984. In this year's justification, you estimate that the backlog will be 6,300 in Fiscal 1984. What average delay in adjudication does this indicate for Black Lung claimants?

Answer: Standard case processing time is 90 percent of claims adjudicated within 180 days of receipt. Black Lung claimants experience virtually no delays in five of the eight district offices, where 95 percent of all cases are adjudicated within the standard processing time. The remaining three offices account for approximately 35 percent of total incoming claims. Delays in adjudication are experienced by approximately one-half of the claimants in these offices. A redistribution of staffing and caseloads nationwide is underway to remedy the delays.

REDIRECTION OF BLACK LUNG RESOURCES

Question: Both last year and this year, you have stated that you are redirecting resources away from initial adjudication of Black Lung claims, toward fiscal control and review and maintenance of the existing caseload. Is this redirection of resources being accomplished at the expense of timely adjudication of claims?

Answer: There has been no effect on timely adjudication of claims in five of the eight Black Lung offices. A redistribution of staffing and caseloads nationwide is underway to remedy the delays experienced at the three remaining offices.

BLACK LUNG BENEFITS - ADMINISTRATION

Question: How many part C cases are having their black lung benefits reduced on account of receipt of other disability benefits or earnings, as required by law?

Answer: As of the January 1984 payroll, the Part C offset figures are as follows:

2,557	state compensation offset
749	Federal compensation offset
17	excess earnings offset
3,323	total

BLACK LUNG STAFF REDUCTIONS

Question: You are proposing to eliminate 55 Black Lung program staff in 1985. How will you carry out this reduction?

Answer: The reduction of 55 Black Lung staff is occurring during the three year period, FY 1983 - FY 1985. The majority of the reductions will be made in the National Office through attrition. Every effort is being made to maintain adequate staffing levels in the district offices where claims adjudication processing occurs.

Question: Specifically, where will the cuts come from?

Answer: The staffing cuts will come, primarily, from clerical and temporary staff positions in the National Office.

VACANT BLACK LUNG FIELD OFFICES

Question: How have you resolved the problem identified during last year's hearings about the existence of vacant Black Lung field offices?

Answer: As vacancies occur in the field offices, the service needs of the office are reviewed. Staff levels may be adjusted to full- or part-time, if claimant traffic is either high or low. Relay phones to the district office may be installed or cooperative arrangements made with other government agencies for the relaying of claimant inquiries to the nearest black lung district office. Actions are underway to fill the three current vacancies at Carbondale, Illinois; Vincennes, Indiana; and Birmingham, Alabama.

BLACK LUNG BENEFITS - ADMINISTRATION

Question: Have you established procedures--other than annual reports by recipients--to identify black lung beneficiaries' earnings that might trigger a benefit reduction?

Answer: The Black Lung program has developed several form letters which are sent to either miners, survivors of miners, or state or Federal workers' compensation officials. Each of these letters specifically asks if the miner has filed a claim for workers' compensation benefits due to pneumoconiosis. In addition, tape matches are conducted with the Social Security Administration and with state workers' compensation agencies in those states whose laws provide for the compensation of pneumoconiosis.

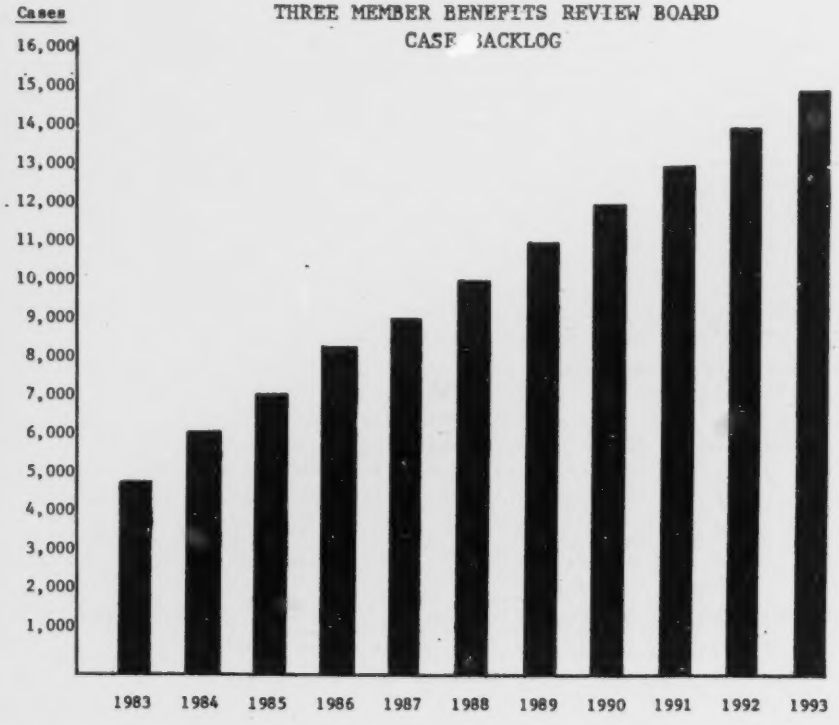
Question: Do you use any computerized cross-matching with social security or unemployment insurance records?

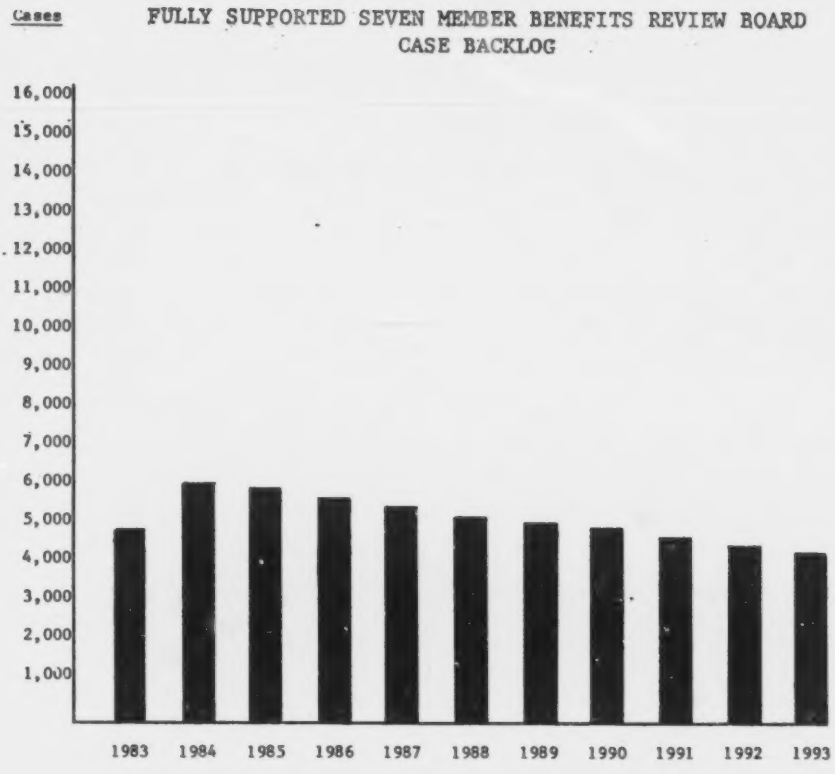
Answer: The Black Lung program conducts computerized cross-matching with the Social Security Administration, and, whenever possible, with the states which have the greatest miner-beneficiary population (e.g. Kentucky, Pennsylvania, and West Virginia). No such cross-matching is conducted with unemployment insurance records.

BENEFITS REVIEW BOARD

Question: Provide for the record bar graphs displaying the projected backlog of Black Lung cases before the Benefits Review Board over the next 10 years, for each of: 1) the current three-member board; 2) a seven-member board.

Answer: The information is shown below:





MIGRANT AND SEASONAL AGRICULTURAL WORKER PROTECTION ACT

Question: Has the Department of Labor developed a written history of the old Farm Labor Contractor Registration Act (FLCRA) that was repealed by the 97th Congress?

Answer: For the past several years, the Department's Annual Report has contained a section dealing with FLCRA. The Department, since 1980, has also prepared an annual summary of activities related to coordinated efforts on behalf of migrant and seasonal farmworkers. We have not, however, planned for the development of a written history specific to FLCRA.

Question: Is the Department now taking steps to chronicle the history of the implementation, enforcement and impact of the replacement legislation in that area, the Migrant and Seasonal Acticultural Workers Protection Act (Public Law 97-470)?

Answer: The Department has maintained copies of all comments received from interested parties concerning Migrant and Seasonal Agricultural Workers Protection Act legislation and implementing regulations. We have also required our field staff to submit reports on all media contacts, speeches, public inquiries, and other educational efforts occurring during the first year of activities under the Act.

DELAY IN PROCESSING BLACK LUNG BENEFITS

Question: You indicated that you expect to reduce your claims backlog from about 6,700 in Fiscal 1983 to 5,800 in Fiscal 1985. However, this does not approach the Fiscal 1982 claims inventory level of 4,500. Does this mean that Black Lung claimants can continue to expect additional 30-day "temporary" processing delays that began in fiscal 1983? Perhaps through fiscal 1985?

Answer: The undecided case inventory is attributable to the standard 180 day processing period. Three of the eight Black Lung offices have a backlog. This is composed of the cases which are beyond the 180 day standard time. A redistribution of staffing and caseloads is to begin April 1, 1984 to remedy the backlog. Processing delays will be experienced in those three offices until the remedial actions are completed.

FEDERAL EMPLOYEES' COMPENSATION PROGRAM - BOSTON OFFICE

Question: I have had considerable difficulty obtaining timely and adequate responses from your Boston Regional Office to my inquiries about workers' compensation cases. Why don't you shift staff between low-performing and high-performing offices, in order to both better train the low producers, as well as to bring about immediate improvement in areas with the greatest problems?

Answer: This would be difficult to implement with no certainty that improvements would be forthcoming from the low-performing offices. It could result in improvements in performance in those offices coming at the expense of performance in the high-performing offices.

The possible reluctance of employees to relocate also needs to be given consideration. It is doubtful that many employees would be willing to relocate without receiving a promotion or at least some assurances that the move would be beneficial to their career. In addition, the expense of moving employees from one district office to another may be prohibitive.

OWCP has in the past and will continue to detail employees for a period of time to a district office to help resolve a specific problem. Usually, the employees are from the National Office and the length of the detail may range from one to several weeks.

Question: What workload measurement system do you have to monitor problems among the various workers' compensation offices, and what types of corrective action do you take?

Answer: Production and timeliness goals are established prior to the start of each fiscal year for each district office as part of the operational program planning process. In most instances, production goals are a function of incoming or maintenance workloads, and are usually set at a level that is based on two factors: (1) reasonableness, which primarily translates into a goal that a moderately good office should be able to meet; and

(2) avoidance of backlogs (i.e., output should keep pace with input).

Timeliness goals are based primarily on program experience. All district offices are subject to the same timeliness standards and the goals are usually set at a level that has been achieved by the four or five best performing offices during the recent past.

Every quarter, district offices are required to submit a Quarterly Review and Analysis (QR&A) Report. As part of this report, district offices must describe the reason(s) for failing to meet any goal or timeliness standard, and propose a corrective action to resolve whatever problem(s) were contributing to the shortfall. The National Office reviews the corrective actions proposed, and in a separate feedback report discusses the appropriateness of the proposed corrective action. Where the National Office finds a corrective action lacking, alternative solutions are proposed. If the problems persist through future quarters, more direct National Office involvement may be attempted. This may include providing additional or special training, temporary assignments of National Office personnel to the district office, or a change in district office management.

The report cycle (Fiscal Year Program Operating Plans, QR&A report, and feedback report) represents an on-going process of monitoring district office performance and maintaining a dialogue concerning that performance. This process relies heavily on data extracted from the Federal Employees' Compensation Management Information System.

District offices are also subject to annual on-site accountability reviews which address primarily the quality of the work performed and adherence to program policies and regulations. Where there are deficiencies they are noted, and the district office is required to submit a quarterly report (included in the QR&A report) describing their progress in correcting the deficiencies. They are required to submit the reports until such time as all action items from the review have been corrected.

INVESTIGATION PROGRAM - GRACE COMMISSION RECOMMENDATION

Question: The Grace Commission recommended assigning 10 additional full-time staff to investigate long-term workers' compensation disability cases. Is this recommendation reflected in your Fiscal 1985 budget?

Answer: OWCP intends to establish a permanent program for investigating claimants receiving disability benefits. Staff time would be used to investigate claims during their developmental stages, prior to adjudication, as well as to investigate previously approved claims. Under the current program, using Wage-Hour and OFCCP compliance officers as investigators, only previously approved claims are investigated. Broadening the scope of the program should increase the quality of evidence available to claims examiners, speed-up the evidence collection process, result in better adjudication decisions, and ultimately increase cost avoidance in

the first instance rather than cost savings on claims already approved.

Additional positions are not being requested in FY 1985 for this effort. The program will utilize current OWCP staff as well as Wage-Hour and OFCCP compliance officers. Up to ten Federal Employees' Compensation staff years will be re-directed to this effort in FY 1985.

INDUSTRIAL HOMEWORK

Question: The Department of Labor has attempted to lift the present ban against industrial homework in the knitted outerwear industry. This would create many workplaces--no one is quite sure just how many. How would the lifting of the ban on industrial homework affect the budget and personnel requirements of the Department of Labor?

Answer: The restriction on homework in the knitted outerwear industry was lifted on October 9, 1981. In conjunction with removal of the restriction, the Department made a commitment to undertake a concerted enforcement program to detect violation of the Wage and Hour law among homeworkers. A total of 591 investigations of employers utilizing homeworkers has been conducted since 1981, as compared with approximately 75 to 80 such investigations during the previous six-year period. This concerted enforcement program has been conducted without any increase in budget or personnel and the Department fully intends to continue this enforcement effort, regardless of the outcome of the litigation.

Question: What is the status of litigation regarding your industrial homework regulations?

Answer: Subsequent to the Department's 1981 removal of the restrictions on homework in the knitted outerwear industry, the International Ladies' Garment Workers' Union challenged the Department's action. The District Court for the District of Columbia upheld the Deparment's action on July 23, 1982. However, the U.S. Court of Appeals reversed this decision on November 29, 1983. The Appeals Court remanded the case to the District Court with instructions to return the matter to the Department for further proceedings as may be warranted, and ordered reinstatement of the restrictions on homework in the knitted outerwear industry "unless properly modified pursuant to 'reasoned decision making' consistent with the opinion of" the Appeals Court.

A petition for a rehearing en banc, which was filed by the New England Legal Foundation on behalf of four homeworkers who were parties to the original suit, was denied. The Department then requested a stay of the Appeals Court's action pending consideration of a petition for a writ of certiorari. On February 27, 1984, the Court of Appeals denied the Department's request for a stay of its decision reimposing the restrictions on industrial homework in the knitted outerwear industry. Supreme Court Justice Burger, on March 12, 1984, denied an appeal by knitters in Vermont to stay the reimposition of the restrictions.

Question: If your regulations are ultimately struck down by court action, will you seek corrective legislation?

Answer: The Department is studying additional regulatory action to determine if the problems perceived by the Court of Appeals can be resolved by new rulemaking. The Subcommittee on Labor, of the Senate Committee on Labor and Human Resources, held hearings on industrial homework on February 9, 1984. Secretary Donovan, in a letter to the Subcommittee, reiterated his commitment to eliminate unnecessary homework restrictions.

DAVIS-BACON ACT

Question: Making the prevailing wage determinations required under the Davis-Bacon Act is an enormously complex, detailed and time-consuming process. Has that process, now, been fully computerized?

Answer: As long as expert analysis and judgement are required to help determine prevailing wage rates, the process for developing Davis-Bacon wage determinations will not be fully computerized. Efforts in the past have centered on a complex integrated system which failed to produce the desired efficiencies. Computerization efforts now underway seek to improve staff productivity in carrying out the wage determination process by streamlining data storage, accessing, computation, and survey management activities.

Over the past year or so, two computerization efforts have gone forward to develop a test bed for system development. These include a pilot program in three ESA regional offices which have utilized software and the distributed mini-computer network to facilitate the storing and computation of Davis-Bacon survey data. In addition, in connection with tests to see if private contractors might assist ESA in collecting Davis-Bacon information, computer programs have been developed to assist in survey management and data computations.

Question: What has been the direct dollar cost of the various efforts to computerize the wage data gathering and wage rate determination processes?

Answer: The various pilot activities currently underway represent expenditures of less than $20,000. The exact dollar costs are difficult to isolate. For example, Departmental personnel developed the software package which is currently being utilized by ESA regional office staff. At the same time, the distributed mini-computer network, which is being utilized for computerizing wage data gathering, is also being utilized for numerous other routine projects. The costs of private contractor software development were incidental to overall outlays to carry out pilot Davis-Bacon surveys.

Question: What problems have been encountered in attempting to computerize this program?

Answer: Previous efforts at computerization were unsuccessful because of the amount of data to be stored and the resources available. Attention is now being directed at evaluating all available survey-related software and consolidating these programs into a comprehensive and uniform system. Also, new systems are being contemplated to assist in national office data storage and accessing tasks.

FAIR LABOR STANDARDS ACT

Question: The Fair Labor Standards Act (FLSA) is extremely complex and difficult to interpret and to enforce, requiring substantial manhours for administration and enforcement/compliance activity. Might it not be more cost efficient, both for Government and for employers if minimum wage and overtime coverage were made uniform, eliminating the wide range of exemptions now set forth in Section 13 of the Act?

Answer: We agree that the FLSA is complex and difficult to interpret, and eliminating the various exemptions and coverage differences would simplify enforcement. Since the enactment of this law, however, Congress has recognized that special needs exist for certain industries and types of employment. As circumstances have changed, the Act has been amended to narrow or eliminate exemptions which are no longer needed. The administrative benefits in having universal coverage and uniform application of the standards must be weighed against the impact on employment opportunities in the industries affected.

MIGRANT AND SEASONAL AGRICULTURAL WORKER PROTECTION ACT

Question: Now that the Farm Labor Contractor Registration Act has been replaced with the Migrant and Seasonal Agricultural Workers Protection Act, what impact can we expect to see upon funding and personnel requirements for the Department as a result of that action?

Answer: The Department plans no change in the level of resources to be devoted to the Migrant and Seasonal Agricultural Workers Protection Act. Resources that were committed to enforcement of the Farm Labor Contractor Registration Act have been allocated to enforcement of the new Act.

WORKERS' COMPENSATION PROGRAMS

Question: How many people finally resort to lawyers in order to resolve their OWCP claims?

Answer: The Federal Employees' Compensation Act provides that a claimant may authorize an individual to represent him in a claim. The appointment of an attorney or representative becomes part of the individual case record. Further, any claim for services submitted by an appointed representative must be approved by the Office of Workers' Compensation Programs (OWCP). However, OWCP does not keep statistics on the number of claimants who retain attorneys to represent them.

Question: How long does it take for a case to come to a hearing in the Boston region?

Answer: On the average, obtaining and holding hearings on cases from the Boston Federal Employees' Compensation district office takes 191 days. This average is broken out in the following stages:

A. Obtaining a hearing -

1. From the date that the claimant requested a hearing to the date that the case is received in the Branch of Hearings and Review from the district office is 64 days.

2. From the date that the case is received in the Branch of Hearings and Review to the date that the case is scheduled for a hearing date, which involves internal processing within the Branch of Hearings and Review, selecting a city code for the city nearest the claimant where a hearing will be held, etc., is 67 days.

3. From the date that the case is scheduled for a hearing date to actual hearing date (hearing dates are set two months in advance) is 60 days.

B. Issuing a decision from date hearing held -

	Percent
1. 0 - 30 days	16
2. 31 - 60 days	20
3. 61 - 90 days	18
4. 91 - 120 days	19
5. 121 - 150 days	11
6. 151 - 180 days	1
7. over 180 days	15
Total	100

Question: Why does it take so long? How many claims drag on for six months? One year? Two years? More than two years?

Answer: There are several reasons for the elapsed times before cases come to a hearing. First, in order to maximize the efficient utilization of the hearing examiner staff, the schedule must reflect a balance among available staff, the number of cases in a given area, and the lead time that must be afforded claimants prior to the date of the hearing. This results in cases being grouped by geography and time and necessitates some amount of waiting time before the hearing is held.

Second, claimants initiate requests for postponements of hearings in almost 50 percent of all initial hearing dates, resulting in a minimum of a 30 day add on to any postponed cases. Claimants very frequently request second and third postponements.

Third, in 26 percent of scheduled hearings, claimants (or their representatives) do not make an appearance nor do they give notice of cancellation or withdrawal. This results in further delays to those claimants who then request a new date. Worse yet, already scheduled hearings cannot be rescheduled behind those "no-show" dates.

Fourth, there has been an increase of about 1,000 cases in the overall number of hearing request filings. Added to the existing 1,400 backlog of cases, this has put further strain on the scheduling of cases.

We have recently initiated a pilot project to decentralize some of the hearing and review activity to the Atlanta and San Francisco/ Seattle areas, which we expect will relieve some of the pressure on the Hearings and Review Unit in the National Office and ultimately reduce the elapsed time for cases to reach a hearing.

Our data system does not have tabulations of the number of claims in the categories of elapsed times you request.

Question: What is the rate of turnover for claims analysis in the Boston office of OWCP? Nationally?

Answer: The data for calendar year 1983, overall, indicates a normal turnover rate of between 15 to 20 percent for claims examiners in the Federal Employees' Compensation program. Boston exceeded the rate with a claims examiner turnover rate of over 40 percent in the last half of the year alone.

Boston recently hired several new claims examiners to replace those that had left. But given the relatively large turnover rate, it will most likely be several months before substantial improvements can reasonably be expected to begin.

Question: How long does it take for a new analyst to get his/her feet on the ground, and handle a complicated case with some degree of proficiency?

Answer: Newly-hired examiners undergo extensive training during their first year. Formal classroom training consists of a two week basic claims examining course and a two week advanced examining course. In addition, new hires receive extensive in-house training conducted at the district office. In general, a claims examiner is capable of handling any case proficiently and assuming a full workload after a year on the job.

Question: What is the average caseload for claims examiners? Supervisors? District Medical Directors?

Answer: The average caseload for Federal Employees' Compensation claims examiners ranges from approximately 500 to 550 cases per examiner. For the Boston district office, the average caseload per examiner falls at the lower end of this range. The management information system does not provide information that would allow determination of any supervisory caseload. The caseload for District Medical Directors at any given time is relatively small, with most offices having between 75 to 150 cases under medical review at any given time. Boston, however, reported a backlog of 400 cases at the end of December for District Medical Director review. Another 300 cases have been sent to specialists for case file review.

Question: How many people have had liens put on their homes because of the length of time it takes for OWCP to complete its paperwork and pay the claim?

Answer: OWCP is aware of the financial difficulties that can result when a claimant is unable to work after an injury. District offices are held accountable to rigid performance standards to ensure that claims for compensation for lost wages are handled in a timely manner. In situations of severe financial distress, cases may be handled on a priority basis. However, OWCP does not keep statistics on the number of claimants who have liens placed on their homes.

Question: The Boston OWCP office has been investigated by GAO and OIG eight times in the past two years, due to the number of complaints received. What changes have been made as a result of these investigations and audits?

Answer: Over the past three years, a total of eight audits were conducted in the Boston OWCP/DFEC office by various outside agencies. None of these audits came about as the result of complaints received against the Boston office, and all involved similar audits in other offices. The various audits were as follows:

First Quarter, FY 1982 -- Senate Subcommittee on Investigations conducted a fiscal audit.

FY 1982 -- OIG conducted a review of duplicate payments.

First Quarter, FY 1983 -- Defense Department (DOD) OIG audited chargeback in DOD cases.

Second Quarter, FY 1983 -- GAO conducted a review of the LWEC (Loss of Wage Earning Capacity) process.

Third Quarter, FY 1983 -- Department of Agriculture OIG audited chargeback in Agriculture cases.

Fourth Quarter, FY 1983 -- United States Postal Service (USPS) audited chargeback in USPS cases.

Second Quarter, FY 1984 -- OIG contracted private firm conducted a study of OWCP/DFEC's fiscal and accounting procedures.

No major procedural changes resulted from these audits.

FEDERAL CONTRACT COMPLIANCE PROGRAMS - CUTS IN STAFF

Question: You are requesting a cutback of 15 positions and $1,334,000 in the Office of Federal Contract Compliance Programs, which your budget justification material states can be achieved by reducing "overhead", without impairing program operations. Specifically, what "overhead" will you be reducing?

Answer: By "overhead", we are referring to positions which are not directly involved in the conduct of compliance reviews, complaint investigations and related compliance activities. These include supervisors, managers, and regional and national office staffs. Nonsupervisory Equal Opportunity Specialist positions would not be reduced; therefore, the number of compliance reviews, complaint investigations and other compliance actions planned would not be affected. The 15 position reduction would be attained through attrition, staff restructuring, and the elimination of some vacancies.

FEDERAL CONTRACT COMPLIANCE PROGRAMS

Question: Why not utilize savings from management efficiencies to further improve program operations?

Answer: Savings from management efficiencies are currently being utilized to improve program operations in FY 1984. As stated in the Office of Federal Contract Compliance Program's budget presentation, improved procedures and management initiatives implemented in FY 1984 will continue to impact on FY 1985 performance. Program improvements include: (1) improved compliance review case management to assure timely completion; (2) elimination of complaint case backlogs; (3) case quality assurance for consistent application of regulations and policy; (4) realignment of some offices for a more effectively managed field structure, etc. These measures, along with continued employee training and appropriate performance standards, will be utilized for FY 1985 to further improve program operations as indicated by the projected increase in compliance reviews and other compliance actions.

Questions Submitted by Senator William Proxmire

EMPLOYMENT STANDARDS ADMINISTRATION - CUTS IN STAFF

Question: Secretary Meisinger, as you indicated in your prepared testimony, you are proposing a reduction of 15 positions in your Wage and Hour Standards Enforcement Program. According to testimony presented to the Congress on February 9th by Sol Chaikin,

President of the International Ladies' Garment Workers' Union, in recent years the program has been undermined by "drastic budget cuts which have forced Federal and State Wage and Hour Divisions to cut their enforcement staffs." Mr. Chaikin went on to say: "For example, while there were 124 enforcement officers in New York City in 1975, responsible for all phases of state wage and hour protection in all industries, today there are only 41." What is your reaction to this allegation?

Answer: Since we do not maintain staffing information for State Government wage-hour personnel, I cannot comment on the level of resources devoted by New York State to their efforts. However, I can provide information on the Department's resources. At the end of FY 1975, there were 86 Wage and Hour compliance officers on-board in the New York State Region which covers the states of New York and New Jersey, and the Commonwealth of Puerto Rico. In January of 1984, by comparison, there were 112 compliance officers on-board in the New York Region, which is an increase of 26. We do not have the 1975 figure for Federal staffing in the New York City area alone. However, there are currently 25 Wage-Hour compliance officers assigned to work in New York City.

EMPLOYMENT STANDARDS ADMINISTRATION - CUTS IN STAFFING

Question: Mr. Chaikin also referred to a 1981 GAO report which in his words, "noted that the Department of Labor is unable to investigate more than two percent of the 4.1 million establishments covered by this law, and that it has had a consistent complaint backlog of 21,000 to 25,000 cases through fiscal years 1977 - 1979." Is this an accurate statement?

Answer: We estimate that approximately 2.4 million establishments, excluding private households employing domestic workers, are covered by the Fair Labor Standards Act. It is correct that we investigate two to three percent of these establishments each year, and that this percentage has remained fairly constant over the past ten years. The vast majority of employers comply with the law and we are able to run an effective enforcement program with our current resources by carefully targeting investigations at firms likely to be in violation.

The inventory of complaints has gradually declined from a high of 26,000 in FY 1977 and FY 1978 to 21,000 at the end of FY 1983. We are projecting further reductions in FY 1984 and FY 1985. It is important to recognize that the inventory represents the total number of complaints on-hand, including those currently being investigated. Since compliance officers work on a number of cases at the same time, it is likely that half of the complaints in inventory are under investigation at any point in time.

EMPLOYMENT STANDARDS ADMINISTRATION - PRINTING

Question: Last year's budget appendix indicated you would spend $1,666,000 on printing in fiscal year 1983. You actually spent $974,000. What's the reason for the shortfall?

Answer: During FY 1983, in order to provide resources for other priorities, including the absorption of the Federal pay raise, ESA drastically reduced printing costs by limiting the number and quantities of publications to the minimum needed for the rest of the year.

Question: This year's budget appendix shows printing costs going up by 70 percent, in 1984 to $1,666,000 and then dropping down to $1,070,000. What will cause this one year bulge?

Answer: As a result of changes in the requirements for publishing regulations in the Federal Register, we recognize the estimated level of printing costs in our FY 1984 budget may be higher than necessary. These changes involve a new format method for printing publications which will provide for an increased amount of text per page and reduce the volume of pages for publication. The volume reduction will result in substantial savings in printing costs. In our FY 1985 budget, we have adjusted our estimate for printing costs to reflect the revised printing requirements.

EMPLOYMENT STANDARDS ADMINISTRATION - EQUIPMENT

Question: Last year you indicated your equipment expenditures for fiscal year 1983 would be $282,000. You ended up spending $1,276,000 for equipment, an increase of almost $1 million. What happened to increase your costs so dramatically above your original estimate?

Answer: The increase in FY 1983 equipment costs, above our original estimate, was due to the acquisition of systems furniture and new filing systems in the Employment Standards Administration (ESA). The Department has implemented a plan to reduce the allocation of office space in line with the present government-wide initiative. As part of the Department's plan, ESA will consolidate space for its administrative support functions in the National Office, which recently underwent a major reorganization. The administrative functions are being consolidated into a systems furniture configuration to provide the most efficient and cost effective use of space both now and in the future. New furniture was also purchased for one of the regional district offices as part of the Agency's space reduction initiative.

New filing systems were acquired and installed during FY 1983, in several regional workers' compensation district offices to ensure the security of the files. The space requirements in these offices were reduced as a result of the installation of these new files.

BUREAU OF LABOR STATISTICS

STATEMENT OF DR. JANET L. NORWOOD, COMMISSIONER OF LABOR STATISTICS

ACCOMPANIED BY:

WILLIAM G. BARRON, DEPUTY COMMISSIONER FOR ADMINISTRATION AND INTERNAL OPERATIONS

KENNETH V. DALTON, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS

PREPARED STATEMENT

Senator WEICKER. Our final witness this morning is Janet L. Norwood, the Commissioner of Labor Statistics. Dr. Norwood, welcome to the hearing.

Please introduce your associates and your full statement will be placed in the record.

[The statement follows:]

STATEMENT OF DR. JANET L. NORWOOD

I appreciate this opportunity to appear before you to present the Bureau of Labor Statistics (BLS) appropriations request for Fiscal Year 1985. Before doing so, I want to point out that the Bureau has just entered its centennial year. Congress established the Bureau 100 years ago, because there was an absence of reliable information about the labor force and other aspects of the economy. Over the past century, the Bureau--first as part of the Department of Interior, later as an independent agency, and, since 1913, as part of the Department of Labor--has established a tradition for reliability and objectivity. As the Bureau's tenth Commissioner, I am very conscious of that tradition and of the responsibility I have for maintaining it.

The FY 1985 request is for $167.3 million, an increase of $29.7 million over the Bureau's funding for FY 1984. None of this increase, however, is for new programs. The bulk--$19.4 million--is not a real increase but merely an internal transfer to BLS from the Employment and Training Administration (ETA) Account of the Unemployment Trust Fund. This transfer completes the centralization in BLS of the management of the Department's national labor market statistical programs, which the Department initiated in FY 1983 to improve the efficiency of these Federal State Cooperative Programs. The remainder of the increase--about $10.3 million--covers net mandatory increases in the costs of producing the basic core programs and additional resources necessary to keep on schedule a carefully planned program, already authorized by Congress, to revise the Consumer Price Index.

You will remember, Mr. Chairman, that last year Congress approved $4.8 million in start-up costs to begin the complex and regularly recurring project to maintain the quality of the Consumer Price Index. This revision requires the timely completion of several interdependent projects that must be undertaken simultaneously on a multi-year schedule. As I pointed out when I presented the revision proposal to you last year, adjustments in the design of the index must be made to reflect shifts in population, changes in consumer purchasing habits, and advances in the technology and concepts of index construction that have occurred since the index was last revised in the 1970's. These improvements--planned to yield a revised index as quickly as possible--will be reflected in the data published for January 1987.

A variety of activities have already been initiated to select the goods and services to be priced, determine their proper weight in the consumer market basket, choose a new sample of cities in which to collect prices, and strengthen the data underlying the measures of price change for shelter and other related costs. In FY 1985, this work will expand at an accelerating pace in accordance with the schedule authorized last year. To keep to the target date will require an additional $4.8 million in FY 1985, of which $1.7 million represents the costs of continuing the activities that were initiated in FY 1984. Without these additional resources, the schedule for the revision would have to be stretched out, which would both delay the planned publication date for the revised measures and increase the total cost of the revision.

The basic core programs, which account for the bulk of the resources in this request, represent a broad range of important and well-known economic statistics: such as employment and unemployment data: the consumer, producer, and international price measures: wage and benefit data: and productivity measures. They are used extensively to monitor the economy and to support economic policy planning and decisionmaking. To maintain the quality and timeliness of these existing programs, the FY 1985 request includes $6.9 million for increased costs over which the Bureau has no control.

The largest single item is $2.6 million for the salaries and other costs of State employees who are associated with the Bureau's Labor Market Information programs. Although this increase may seem large, it reflects action either already taken or anticipated by State legislatures, as reported in a recent survey. The Bureau will, however, partially offset this increase by the reduction of the $1 million allocated in FY 1984 for initial development of permanent layoffs and plant closings report. An additional $3.3 million is requested for the increased costs of Federal staff, as a result of within grade promotions, the January 1984 pay raise, merit pay adjustments, and higher benefit costs. This increase is, similarly, partially offset by an $0.4 million decrease related to the planned reduction in the number of positions at the GS-11 to GS-15 level and other administrative savings. The only other increase included in this budget is $1.0 million for the rental of space, which is, of course, controlled by the General Services Administration. The Bureau will absorb all other cost increases, such as travel, printing, supplies, and equipment. This $6.9 million investment in the quality and timeliness of the Bureau's indicators will assure the maintenance of public confidence in the Bureau's data in both the public and private sectors.

Now, I would like to say a word about some data development projects that Congress directed the Bureau to undertake. Resources for these projects were not requested in the FY 1984 budget submission nor have they been included in the request before you. These two programs are:

* Permanent Layoffs and Plant Closings: The House allocated $1 million--to come from the State Operations account of the Employment and Training Administration--for the Bureau to undertake work on development of an annual report on permanent layoffs and plant closings. The House asked that BLS report to Congress on the feasibility and the resource requirements for such a program. We shall provide such a report soon.

* Data for the Service Sector: The Senate directed the Bureau to expand its work on data for the service sector and include resources for this purpose. Because of the need to restrict government expenditures, these resources are not included in our FY 1985 request.

Over this past year--in addition to its regular production activities--the Bureau has strengthened both the quality and timeliness of many of its basic programs. Quality improvement work continues on the redesign of the Current Population Survey, the Current Employment Statistics program, and the Employment Cost Index. At the same time, new data are being produced for the relatively new series on multi-factor productivity measures, and

just last month, we completed the coverage of the international price measures to 100 percent of all commodities imported into and exported from this country. All of this work has been strongly supported in earlier years by the Congress through the appropriations process.

At the same time as the Bureau has been producing and protecting the quality of its regular output, it has continued to give high priority to managerial improvements that will enable us to operate more cost effectively. These efforts include an innovative contract for computer services, effective management information and planning systems, and efficiencies in staffing Regional and administrative operations.

I am proud of the Bureau's performance over the past few years. Working together as a team, we have been able to improve managerial efficiency, reduce programs in line with the country's need to restrain the growth in Federal spending and, at the same time, proceed with the improvements that are so necessary to continued public confidence in the Bureau's data. I believe strongly that the Bureau's greatest asset is the quality and dedication of its staff. The greatest challenge ahead is to find ways to attract and keep the high quality work force for which the BLS is known.

Thank you Mr. Chairman.

Biography of Dr. Janet L. Norwood

Janet L. Norwood was appointed for a second term as Commissioner of the Bureau of Labor Statistics by President Reagan in June 1983. Prior to her initial appointment as Commissioner in 1979, she had been Acting Commissioner for one year. Earlier she was Principal Deputy Commissioner and Associate Commissioner for the Office of Data Analysis. She also served for several years as Chief of the Division of Consumer Prices and Price Indexes, Office of Prices and Living Conditions.

Dr. Norwood joined the Bureau as an economist in 1963 in the Office of Foreign Labor and Trade and in 1967 became manager of the international price comparison program. Prior to her entering the Federal service, Dr. Norwood was an instructor at Wellesley college and an economist at the William L. Clayton Center, Fletcher School of Law and Diplomacy.

Dr. Norwood received her B.S. from Douglass College, Rutgers University, and her M.A. and Ph.D. from the Fletcher School of Law and Diplomacy, Tufts University. She has received an honorary LL.D. from Florida International University and several awards for distinguished public service. She is the author of numerous articles on economic issues.

Department of Labor
Agency: Bureau of Labor Statistics
Appropriation: 4200/5020

Activity	1983 Comparable		1984 Request		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.
1. Labor Force Statistics	343	46,046,000	343	47,963,000	343	47,880,000	343	47,880,000	343	50,355,000
(LMI Trust Funds)	(---)	(---)	(---)	(---)	(10)	(---)	(10)	(20,400,000)	(---)	(20,420,000)
2. Prices and Living Conditions	729	45,550,000	729	46,955,000	737	47,053,000	737	47,053,000	729	48 376,000
3. Wages and Industrial Relations	324	14,736,000	324	15,271,000	334	15,532,000	334	15,532,000	324	16,260,000
4. Productivity & Technology	88	4,268,000	88	4,359,000	89	4,400,000	89	4,400,000	88	4,578,000
5. Economic Growth & Employment Projections	52	2,705,000	52	2,758,000	53	2,800,000	53	2,800,000	52	2,898,000
6. Executive Direction	254	13,748,000	256	14,147,000	256	14,085,000	257	14,085,000	257	14,768,000
7. CPI Revision	---	---	102	4,837,000	102	4,837,000	102	4,837,000	143	9,625,000
Total.....	1,790	127,053,000	1,894	136,290,000	1,924	136,587,000	1,925	156,987,000	1,936	167,280,000
Federal Funds	1,790	127,053,000	1,894	136,290,000	1,914	136,587,000	1,915	136,587,000	1,936	146,860,000
Trust Funds	(---)	(---)	(---)	(---)	(10)	(---)	(10)	(20,400,000)	(---)	(20,420,000)

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INTRODUCTION OF ASSOCIATES

Dr. NORWOOD. Thank you very much, Mr. Chairman. I'd like to introduce Mr. William Barron on my right who is our Deputy Commissioner for Administration and Internal Operations and Kenneth Dalton, on my left, who is our Associate Commissioner for Prices and Living Conditions.

First, let me say, Mr. Chairman, that we are glad to be here and to point out to you that this is the centennial year of the Bureau of Labor Statistics. Our budget was somewhat smaller in 1884, but so were our responsibilities.

For fiscal 1985 we are asking for a budget of $167.3 million. That represents an increase of $10.3 million of which the preponderant part, $7.6 million, is for mandatories. Roughly $3 million or so is a program increase, which relates to the Consumer Price Index revision program. This increase is offset by decreases of $1.3 million.

We have essentially a standstill budget with a request for the second year increment of the multiyear program to revise the very important Consumer Price Index.

I'm open now for any questions.

GS-11/15 POSITIONS REDUCTION

Senator WEICKER. Your budget indicates you plan to reduce the number of GS-11 through GS-15 positions by 23 in fiscal 1985. Will this reduction of higher level staff have any effect on the quality or timeliness of information you provide? And how will this cutback be accomplished?

Dr. NORWOOD. Mr. Chairman, I'm sure you're aware that this is a Government-wide effort. We are looking at the Bureau's staff composition to see how the reduction may be accomplished. We believe that it is a small enough decline for us to be able to absorb it without harm to any of our programs.

Senator WEICKER. Will it be done by attrition?

Dr. NORWOOD. Yes.

SERVICE SECTOR DATA COLLECTION

Senator WEICKER. You intend to divert some $750,000 appropriated for Bureau of Labor Statistics data collection to meet Federal pay raise costs. This was a specific initiative of the Senate Appropriations Committee to improve data collection related to the service sector of the economy.

The line item veto has not yet been approved. So whose decision was it to simply ignore congressional action on this matter, OMB or the Labor Department?

Dr. NORWOOD. Mr. Chairman, first let me say that I'm sure you're aware that the budget is a tripartite operation in the executive branch, involving the Bureau, the Department of Labor, and OMB.

Second, it's my understanding that this is not in any way a violation

of budget authority since the language was included in the committee report and not in the actual appropriation language. The money is being spent.

Senator WEICKER. That's an interesting legal distinction leading to what I would call practical disaster, and I'm sure that this doesn't come under your initiative.

I sense my antennae telling me that you're not the guilty party here. These matters are of deep concern to the Congress and especially in something that's as small as this, but it's important to those affected by this action.

We will have further discussions with OMB on it. Ms. Ingram points out to me that the Bureau of the Census is proceeding to spend the extra $1 million provided by Congress for a companion effort to refine its classification system for the service industry.

Dr. NORWOOD. That's correct; yes. The Bureau of Economic Analyis is also improving its coverage.

PERMANENT LAYOFFS AND PLANT CLOSINGS REPORT

Senator WEICKER. In fiscal 1984 the conferees on the regular Labor-HHS appropriations bill directed you to spend $1 million to begin development of an annual report of plant closings and permanent mass layoffs. What progress have you made on development of this report and what do you expect to accomplish with the $1 million Congress gave you for this purpose?

Dr. NORWOOD. Mr. Chairman, the Congress requested that we do some pilot work and come back to the Congress with a report. We have such a report in preparation and will be sending it to you within the next few weeks.

What we have been doing first is to design a program basically using the unemployment insurance claims system currently in existence in order to develop a report that would be statistically sound and at the same time provide us with an opportunity to have access to information on the characteristics of the people who are unemployed. We have developed a small survey with a sample of States to try to estimate the cost of such a program if it were to be put into effect in all 50 States.

That survey is nearing completion and will be the substance of a report that we will submit to both Appropriations Committees and then we will use the remaining funds for some pilot work in several States.

Senator WEICKER. When can we expect these reports?

Dr. NORWOOD. Within a few weeks, I believe.

SOCIAL SECURITY INDEXATION

Senator WEICKER. The Social Security Amendments of 1983 allow for automatically reducing cost-of-living adjustments based on the lower of wages or prices if financial reserves fall below a certain level. As required by law, the January 1985 COLA would be based on 1983 wages and 1984 prices.

Do you think it's appropriate for a provision that potentially could cause an increase in the social security COLA to use a wage increase from last year and a price increase from this year?

Dr. NORWOOD. I would certainly prefer to have them be for the same year. The problem, I think, is that the wage series that is in the legislation comes from Internal Revenue Service data, and there is a time lag of about 1 year.

There are other wage series which, in fact, had previously been used in the 1960's for social security indexation. There are a number of options that are open to the Congress should it decide to do something different.

MULTIYEAR FUNDING FOR CPI REVISION

Senator WEICKER. You are again requesting multiyear availability for appropriations relating to revising the Consumer Price Index. What portion of your $9,625,000 request is for salaries and expenses of Federal staff?

Dr. NORWOOD. Mr. Barron, do you have that?

Mr. BARRON. Mr. Chairman, I believe it's approximately $4.8 million of the $9 million.

Senator WEICKER. Why do you need to have salaries and expenses appropriations available for 4 fiscal years?

Dr. NORWOOD. Well, let me just answer in a general way then ask Mr. Barron to respond more specifically. I believe very strongly that we need to spend our money very carefully and efficiently. The normal financial planning horizon for a Government agency is extremely short. In the event of a budget crisis, where we are not able to obligate funds until the appropriation is completed, the extremely tight timeframe of the revision of the Consumer Price Index could be adversely affected, resulting in a delay of the publication of the revised CPI.

We don't have a very easy time in hiring people in the Bureau of Labor Statistics because our standards are very high. The kind of people we hire, basically quantitative economists, mathematical statisticians, and systems analysts, are in very great demand in the private sector and we experience a great deal of difficulty in competing for them with the private sector. The multiyear availability is also designed to minimize the problems associated with these hiring difficulties.

It's just more effective management, I think, to have a longer planning horizon; Mr. Barron can answer more specifically.

Mr. BARRON. Two points, Mr. Chairman. No. 1, even in cases where we are unable to spend personnel money we can, in fact, remain on time and not delay the overall completion of a project by going out and securing contract programers and other hard-to-hire personnel where the contractors are not Federal employees.

On the other hand, we understand the committee's concerns in the appropriations language that was agreed to in the fiscal year 1984 process. We think that the fiscal year 1984 language is an improvement over our prior situation, and is responsive to our needs that we dis-

cussed last year. I believe we can test our experience this year and see how the language will work.

If it doesn't work, we can come back and refer to that experience.

Dr. NORWOOD. May I point out, Mr. Chairman, that in other statistical agencies when there is a major program of the size and scope of this kind, multiyear funding is provided and has been for years.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. There are further questions which I would like to have responded to for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

SERVICE SECTOR DATA COLLECTION

Question: Since 70 percent of the labor force now works in the service-producing sector of the economy, don't you think it's time to improve data gathering in this area?

Answer: Both public and private users of Federal statistics have expressed their growing concern that Federal statistical programs are not keeping pace with the growth in the service sector of the economy. Although the Bureau has taken some steps in recent years to improve its data for the service sector using current resources, significant gaps still exist in coverage of major industries within the service sector. We intend to continue to make such improvements as we can within the requested resource level.

NEED TO EARMARK FUNDING

Question: Would you advise us to earmark funding for this program directly in bill language?

Answer: We do not believe earmarking of funding for this program would have solved the dilemma facing us. We will continue to follow the practice of fully considering Congressional intent as expressed in Committee reports and floor debate. We will continue to inform the Committee whenever we believe that circumstances warrant any deviation from that intent. Our dilemma in this case was the expressed Congressional intent that we use 1984 appropriations to hire staff and begin a program for which 1985 financing was not being proposed. In such a situation, earmarking would not have enabled us to attract capable staff or accomplish much in terms of program goals.

SERVICE SECTOR DATA COLLECTION

Question: What additional resources could you effectively use to improve data collection in the service-producing sector of the economy?

Answer: The identification of resources that could be effectively used to improve data collection in the service-producing sector is a two-step process. First, the Bureau must determine those areas of this extremely complex subject matter that would be essential to any improvements in data collection. This needs analysis would require a significant staff effort within the Bureau, and would have to be coordinated with the other statistical agencies that also have an interest in the service-producing sector.

The second step, after the identification of those areas that would benefit from additional resources, would be the need to

weigh the priority of improved data collection with the other pressing requirements of the Bureau, the Department of Labor, and the federal government as a whole. Only after the Bureau has performed both steps of the process, in conjunction with the Department of Labor and the Office of Management and Budget, would a submission of an estimate of additional resources be appropriate.

Question: How would you have utilized the $750,000 and 20 positions approved by Congress for improving service sector data?

Answer: The $150,000 and 20 positions in the FY 1984 appropriation would have enabled the Bureau to begin a modest effort to fill some of the recognized gaps in data coverage of service industries. The tentative projects included an expansion of price measures in the communications, transportation, and electricity industries, and the development of employment cost measures for those same industries as well as for health services and education. In addition, the Bureau would have initiated a special study of the business services industry, one of the fastest growing sectors of the economy. Finally, development of multi-factor productivity measures for service industries would have been started.

MASS LAYOFF REPORT

Question: Why is it that you have failed to provide information prior to these hearings, as directed by the October 1983 Conference Report, on the total amount required to develop and implement this report?

Answer: The preparation of the cost estimates for the funds required to develop and implement an annual report of plant closings and permanent layoffs was conducted as expeditiously as possible. In addition to developing the direct costs of Federal staff and non-labor expenditures, the Bureau surveyed a sample of 20 States to determine the State costs of such a report. The survey was completed in March, and the cost estimates were provided to the House and Senate Committees on Appropriations soon thereafter.

Question: Why is it that no funds are included in the Fiscal Year 1985 budget for this annual report, which is mandated by law?

Answer: In FY 1984 funds were provided to the Bureau of Labor Statistics to begin developmental work on a permanent layoffs and plant closings report. Estimates of developmental and ongoing costs of this report were provided to the Congress in April, 1984. Until a decision was made that the data that could be produced for such a report were useful and could be produced at a reasonable cost within overall budget limitations, it was inappropriate to submit an FY 1985 request for this program.

REVISION OF CONSUMER PRICE INDEX

Question: Have you experienced any difficulty operating under last year's compromise, when Congress limited availability of salaries and expenses appropriations to the normal fiscal year period, while allowing that remaining funds be available for a period of two years?

Answer: The revision of the Consumer Price Index is in its first year of operations and it is too early to assess the impact of last year's multi-year funding compromise. We still believe the amount we have requested for revising the CPI should remain available until September 30, 1988 to provide us the greatest opportunity to complete the revision within the current time and cost estimates.

INTERPRETING WORKER INJURY DATA

Question: How much of the drop in occupational injuries really results from the fact that during the last recession the most inexperienced workers were laid off first?

Answer: We have done some work on measuring the effect of the recession on incidence rates. However, the data available do not permit us to deal directly with the inexperienced worker. The primary data which portray the safety and health of the American workforce are based on records which employers maintain under the Occupational Safety and Health Act and which are reported to the Bureau of Labor Statistics through the Annual Survey of Occupational Injuries and Illnesses.

The survey collects from a sample of employers the basic injury and illness data, and the average number of employees and total hours worked for all classes of employees combined. The survey data are intended to measure the trend of job-related injuries and illnesses and to provide a basis for comparing the risk of injuries and illnesses to employees by industry.

The current annual survey does not collect injury and illness or hours of work data by length of work experience. There are various studies, based on other data we collect for OSHA, that show a disproportionate number of injuries occur to workers in their first year on the job, although we have been unable to identify any relationship between this phenomenon and the 1980-82 reduction in injury rates. There is little data available on the recession's effect on injury rates experienced by younger, inexperienced workers. It is estimated that about 80% of the reduction in injury rates was caused by factors other than economic conditions.

Question: Could you make a statistical adjustment to account for the fact that during recessions, the less experienced, more accident prone workers are laid off first?

Answer: Although we cannot provide data specifically for the inexperienced worker during the recession, we have developed procedures to standardize the number of hours of exposure. For example, if we were to assume for 1981 the same hours of exposure as for 1982 -- for each industry division -- by applying the 1982 hours of exposure for all workers at the industry division level to the 1981 rate and comparing that with the rate published for 1981, we can estimate a difference. The 0.6 decrease in the incidence rate becomes a decrease of 0.5; thus approximately 20% of the incidence rate change may be caused by economic factors. This procedure does not take into account, however, the personal characteristics of workers retained or separated from establishment payrolls.

CURRENT POPULATION SURVEY

Question: Why is the Current Population Survey from which we get most of our labor force statistics still based on the 1970 Census? The 1980 Census results have been available for quite some time now.

Answer: While it is true that the most recent redesigns -- those following the 1960 and 1970 censuses -- were completed earlier than the present redesign, it is also true that they were comparatively simple updates that did not make use of very much of the actual detailed information from these censuses. The current redesign, on the other hand, represents a total revamping of the survey sample, including moving from a national sample design to a State design, in which there are 51 separate samples. This has required a significant amount of detailed Census information that was not available immediately following its completion. An additional important reason was that budgetary support was withheld by BLS for Fiscal Year 1982, which delayed the redesign schedule a full year. Without the delay, the redesign would have been completed in July 1984 instead of July 1985, as now scheduled.

Question: Has the delay in the survey redesign reduced the precision of our unemployment estimates?

Answer: There has been some precision loss for the estimates from the CPS due to the delay of the redesign. As the geographical and demographic distribution of a population changes over time, there is a gradual deterioration in the efficiency of a survey design. This deterioration is ongoing, and its severity is a function of the changes occurring in the population. While no measures of the precision loss exist, this loss is probably not yet large for most national estimates. However, for selected national subsets and State and sub-State estimates, the loss could be significant.

NATIONAL LONGITUDINAL SURVEY

Question: The National Longitudinal Survey is a primary source of labor market information on various groups of individuals, such as female headed families, minority workers, youth and senior citizens. Why shouldn't this survey be included in the Bureau of Labor Statistics budget, rather than as part of the Training and Employment Services appropriation?

Answer: The National Longitudinal Survey has long and successfully been financed and managed by the Employment and Training Administration. Therefore, we see no reason to make any changes in the existing arrangements.

Question: If the Employment and Training Administration no longer conducts the National Longitudinal Surveys of labor force experience, what types of labor force data will we lose?

Answer: The Employment and Training Administration intends to continue the National Longitudinal Survey because several important sets of data would be lost if the National Longitudinal Survey were no longer conducted. The most important loss would be in terms of information on the labor force behavior of youths, who are followed for many years through the survey as they settle into their career paths. Only through a longitudinal survey such as the National Longitudinal Survey can it be determined if the problems which some youths experience during their first years in the labor market have a long-term effect on their work lives. Likewise, the long-term impact of the training which youths receive in their early years can be properly assessed only by following them for many years. In addition, the National Longitudinal Survey provides very important data on the labor market behavior of mature women, particularly with regard to their retirement decisions and the factors which influence their labor market behavior as they age. And, finally, the National Longitudinal Survey provides some independent data which have proven very useful in determining the accuracy of the findings derived through the Current Population Survey.

Question: Will a cancellation of the National Longitudinal Survey have any effect on the Bureau of Labor Statistics?

Answer: The cancellation of the National Longitudinal Survey would not have any direct impact on the BLS survey program. The Employment and Training Administration nevertheless intends to continue it because, among other reasons, data from this survey provides data users valuable information which complements the Current Population Survey. The principal difference between the two surveys is that the National Longitudinal Survey can track the same individuals for many years whereas the Current Population Survey can track them only for a maximum of 16 months. In addition, the National Longitudinal Survey uses specialized and very detailed questionnaires for each panel surveyed, and thus can delve into

labor force problems which are not investigated as part of the monthly Current Population Survey.

Question: Does the Bureau use the information from this survey?

Answer: Although the Bureau does not use information from this survey in the production of its statistical series, longitudinal data on the U.S. labor market are important to an understanding of how individuals fare over a period of years. The National Longitudinal Survey has contributed considerably to our understanding of differences among age cohorts as well as of how individuals react to employment problems over the long run. We have also used the National Longitudinal Survey data as a valuable complement to our own data in studying a number of labor market issues, including some aspects of the labor market for women and in studying the labor force participation of data workers.

REVISING INDUSTRY CLASSIFICATIONS

Question: If the Administration proceeds with a revision of the Standard Industrial Classification codes for the 1987 Economic Censuses, what will be the Bureau of Labor Statistic's involvement in Fiscal 1985?

Answer: In Fiscal 1985, the Bureau of Labor Statistics activities regarding the 1987 Standard Industrial Classification (SIC) revision will include participation on the OMB's Technical Committee on Industrial Classification and planning for the implementation of the 1987 revision in the Bureau programs. Since the Bureau's statistical series cover the entire range of national economic activity, Bureau personnel will be actively involved in the review and analysis of classification changes for all industries, including presentation and support for changes directly sponsored by the Department of Labor. The Bureau will make a thorough study of the cost impact of proposed changes on both currently published information as well as historical data series.

Question Submitted by Senator William Proxmire

EQUIPMENT ESTIMATE

Question: Last year you projected equipment expenditures of $419,000 in fiscal year 1984. You currently estimate you will spend $919,000 on equipment in 1984. Why has your 1984 equipment cost estimate more than doubled over the last 12 months?

Answer: The change in our estimate for equipment expenditures is related to a program increase that Congress approved in FY 1983 for a BLS communications network. At the

time the FY 1983 budget was prepared in 1981 the BLS had planned to rent the equipment associated with the network. However, plans have changed to take into account technological advances that have occurred since 1981. Since that time, the data processing industry has produced new, smaller, and more powerful computers that exceed the capabilities of leased equipment. The Bureau now plans to purchase these small computers and phase them in over several years.

Questions Submitted by Senator Daniel K. Inouye

SERVICE SECTOR DATA COLLECTION

Question: The service sector is estimated to employ approximately 70 percent of the labor force and provides about two-thirds of the gross national product. In spite of its economic importance, however, there has been very little economic research into this sector, and the available statistical information is inadequate to support confident policy decisions involving services. In addition to the deficiencies noted in last year's Committee report, one of the issues identified by the BLS itself for further study is service productivity. Would you agree with the view that service industries' data issues are unstudied and that additional effort is required to obtain a better idea of the dimensions of the service sector, including output, employment, productivity?

Answer: I would agree that coverage of Federal statistical programs has not kept pace with the growth in the service sector of the economy. In the case of the BLS, coverage of the service sector varies widely among the various program areas. With the exception of the Consumer Price Index, which is updated as a result of periodic CPI Revision, coverage of the service sector is extremely limited in the Bureau's major price and wage statistics programs.

In the productivity area, the BLS, as a result of a program increase in the early 1970's, has been expanding the number of service industries for which it publishes productivity measures. At present it provides measures for 22 industries covering approximately 40 percent of the employment in the sector. The accompanying table lists the service industries for which productivity measures are available and the standard industrial classification system number they represent. These measures provide information on the divergence in productivity growth among service industries—indicating leading and lagging industries and some insights into the growth of productivity in service sector as a whole.

In the case of government, which employs one of every six U.S. workers, for the past 11 years the BLS has been obtaining data from Federal Government agencies representing about two thirds of Federal civilian employment. Productivity indexes are calculated for each of the 400 reporting organizational units as well as for the total sample and 28 functional areas such as personnel, auditing, and the Postal Service. Additionally the BLS has

undertaken work on State and local government productivity measures and has recently published a report focusing on related conceptual issues. Indexes were also calculated for several State and local service areas - unemployment insurance, electric power and alcoholic beverage sales.

With regard to employment, the Bureau publishes employment, hours, and earnings estimates for the service-producing sector's major divisons, as well as for 62 percent of the 2-digit and 35 percent of the 3-digit industries within these divisions. This level of detail is relatively limited when compared to that for the goods-producing sector where 4-digit detail within Manufacturing industries is not uncommon. This level of publication detail will be enhanced by the addition of 82 3- and 4-digit industries in June 1984.

Service Industries for which BLS Productivity Measures are Available and Average Annual Rates of Change in Productivity 1973-82
(in percent)

SIC Code	Industry	1973-82
	Transportation:	
401	Railroad transportation, revenue traffic	2.5
4111,413,414, Pts.	Bus carriers	-1.4
4213 Pts.	Intercity trucking	0.5 1/
4511,4521 Pt.	Air transportation	3.4
4612,13	Petroleum pipelines	-1.1
	Communications:	
4811	Telephone communications	6.5
	Public Utilities:	
491,492,493	Gas and electric utilities	-0.1
491,493 Pt.	Electric utilities	0.4
492,493 Pt.	Gas utilities	-0.9
	Trade:	
54	Retail food stores	-0.3
5511	Franchised new car dealers	0.2
5541	Gasoline service stations	3.9
56	Apparel and accessory stores	2.9
5611	Men's and boys' clothing stores	2.0
5621	Women's ready-to-wear stores	3.3
5651	Family clothing stores	0.4
5661	Shoe stores	2.3
58	Eating and drinking places	-0.4
5912	Drug and proprietary stores	1.1
	Finance, Insurance and Real Estate:	
602	Commercial banking	0.2 1/

Service Industries for which BLS Productivity Measures are Available and Average Annual Rates of Change in Productivity 1973-82 (in percent)

SIC Code	Industry	1973-82
	Services:	
7011	Hotels, motels, and tourist courts	0.7
721	Laundry and cleaning services	-1.7

1/ 1973-81

Source: Bureau of Labor Statistics

Question: I have had several contacts with the private sector particularly the Coalition of Service Industries to discuss their concerns about the deficient statistical information. What efforts to listen to private sector concerns has the Department of Labor made and what have been the gist of your discussions?

Answer: The Bureau of Labor Statistics has discussed the coverage of service sector industries with its Labor and Business Research Advisory Committees and with other private industry groups and officials. These discussions have generally reached the consensus that the statistical coverage of the service sector should be improved. It is also recognized that a decision to expand the collection of data from service industries must be weighed against the needs in other statistical programs and budgetary priorities in general. The Consumer Price Index is also of great concern to the private sector, and the urgent need to revise the CPI in light of the 1980 Census has been assigned a higher priority than expansion of data collection in the service sector of the economy.

Question: What is the rationale for the Department's refusal to spend the funds specifically appropriated on a line item for BLS data improvements program?

Answer: The 1984 and 1985 budget requests include sufficient resources to fully fund the Bureau of Labor Statistics' existing array of programs while providing increased funding for a program enhancement to update and revise the consumer price index. The resources available to the Bureau should be utilized for needs related to the existing key data collection efforts; no major additional data collection endeavors other than revision of the consumer price index should be undertaken at this time.

The pay raise that took effect this past January created a pay need for the Bureau over and above what had been provided in our 1984 Appropriations Bill. Given the decision to limit added

resources to those needed for the consumer price index revision, the $750,000 added in Conference action was available to help cover increased pay needs for the Bureau's programs. Had there not been such a pay requirement, a rescission of these funds would have been sought. Since even with the decision not to proceed with the additions to the service sector programs the BLS appropriation was not sufficient without a pay supplemental to carry out the full scope and objectives of the other programs for which it was provided it would have been inappropriate to request a rescission. The $750,000 add-on in question was spread among the same budget activities and in like amounts for pay, as it would have been for expansion of service sector coverage.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until tomorrow morning at 9 o'clock when we will reconvene in this room to hear testimony on the fiscal year 1985 administration's budget request for Labor departmental management, the Occupational Safety and Health Administration, and the Mine Safety and Health Administration.

[Whereupon, at 10:20 a.m., Wednesday, March 7, the subcommittee was recessed, to reconvene at 9 a.m., Thursday, March 8.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 8, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

DEPARTMENT OF LABOR

DEPARTMENTAL MANAGEMENT

STATEMENT OF THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

ACCOMPANIED BY:

WILLIAM C. PLOWDEN, ASSISTANT SECRETARY FOR VETERANS EMPLOYMENT AND TRAINING

J. BRIAN HYLAND, INSPECTOR GENERAL, DEPARTMENT OF LABOR

BERNARD POSNER, EXECUTIVE DIRECTOR, THE PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Good morning. Today we will finish our Labor Department hearings on the administration's fiscal year 1985 budget request with testimony on Labor departmental management, the Occupational Safety and Health Administration, and the Mine Safety and Health Administration.

Our first witness will be Mr. Tom Komarek. He is Assistant Secretary of Labor for Administration and Management.

Tom, welcome to the hearing, and please introduce your associates, and proceed as you wish.

Mr. KOMAREK. Thank you, Mr. Chairman. On my right is the Department of Labor Inspector General, Brian Hyland, and on my left is the Assistant Secretary for Veterans Employment and Training, Mr. William Plowden. Seated behind me, since the departmental management account is a collection of different organizations within the Department, are representatives from each of those organizations. They

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will be happy to answer questions if you want specific details which I am unable to supply.

PREPARED STATEMENT

I would like to submit my entire statement for the record, but I will touch on just on a few highlights.

[The statement follows:]

STATEMENT OF THOMAS C. KOMAREK

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. I am prepared today to outline for you the budget recommendations for the Departmental Management Appropriations--Salaries and Expenses, Office of the Inspector General and Special Foreign Currency and a proposed separate account to be financed from the Unemployment Trust Fund for Veterans Employment and Training Services.

Departmental Management -- Salaries and Expenses

Activities financed by this appropriation are responsible for formulating and overseeing the implementation of policy and management of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Bureau of International Labor Affairs,
the Solicitor's Office,
the President's Committee on Employment of the Handicapped,
the Women's Bureau, and
the Office of Civil Rights.

The budget request for Fiscal Year 1985 for the Departmental Management Salaries and Expenses appropriation is $113.6 million and 1,933 positions, of which $99.7 million is from general funds, $.2 million is from the Unemployment Insurance Trust Fund and $13.7 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

This Fiscal Year 1985 request represents a net increase of $3.8 million and a net decrease of 16 positions over the comparable base in Fiscal Year 1984. Included in the Fiscal Year 1984 base is an increase to the 1984 appropriation of $140,000 and 4 positions resulting from a comparative transfer from the Labor-Management Services Administration Salaries and Expenses account to provide administrative support to the Veterans' Reemployment Rights program transferred to the Assistant Secretary for Veterans Employment and Training. Also requested is a comparative transfer of 289 positions and $121.5 million to the Assistant Secretary for Veterans Employment and Training account.

In the Fiscal Year 1985 budget request, there are two major components of the requested net increase of $3.8 million. The first is the cost of built-in changes which require a net increase of $4.2 million. The second part is the cost of program changes which amount to a net decrease of $.4 million.

The Fiscal Year 1985 built-in increases include: 1) the additional cost of within-grade promotions, 2) the additional day of pay in 1985, 3) increased general merit pay costs, 4) costs related to the January 1984 General Schedule pay increase, 5) increased cost of GSA Standard Level User Charges, and 6) other items explained in detail in the summary of changes. Mandatory decreases of $16,000 reflect net decreased cost of benefits to former personnel and program related travel.

Program changes are composed of program increases totalling $2.4 million and six positions for the Office of the Solicitor, the President's Committee on the Employment of the Handicapped and the Women's Bureau offset by program decreases of $2.8 million and 22 positions, resulting from the Department's plan to achieve management efficiencies in all activities and streamline program operations as well as the Administration's policy to freeze GSA Standard Level User Charges at the rate requested in the FY 1984 budget.

For the Office of the Solicitor a program increase totalling $2.2 million is requested: $2 million to continue litigation support services that had been funded by the Department of Justice, relating to ERISA cases that involve the Teamsters Central States Pension and Health and Welfare Fund and the Pension Trust and $150,000 to replace word processing equipment, which will become obsolete by 1985.

For the President's Committee on the Employment of the Handicapped, an increase of $50,000 is requested to promote the employment of disabled persons through a mass media campaign.

The requested increase for the Women's Bureau is $204,000 and six positions to address the many concerns of working women as a result of demographic and representative shifts of women in the work force.

Total program decreases of $2.8 million and 22 positions include: a) a decrease of $1.7 million and 22 positions related to the Department's plan to increase management efficiencies in all activities; b) a reduction of $.8 million in GSA Standard Level User Charges as a result of the freeze in GSA rates at the FY 1984 level; and c) a decrease of $.3 million for reductions in GS/GM 11-15 positions as program operations are streamlined.

Departmental Management--Office of the Inspector General

The Office of the Inspector General was established as a separate Departmental Management appropriation account in Fiscal Year 1983. As a separate appropriation account under Departmental Management, the Office of the Inspector General has continued its wide range of investigatory, review, audit and oversight responsibilities to prevent fraud, abuse and waste in DOL programs and operations. Additionally, this Office has continued cooperation with the Department of Justice in the investigation of labor-related organized crime activities. With

the 1985 request, emphasis will be placed on improving investigative coverage of organized crime and racketeering programs, upgraded use of computer resources to support audit and investigation activities and redirecting audit resources from financial and compliance audits and CETA program audits toward improved coverage of other DOL programs.

The Fiscal Year 1985 request totals $44.1 million, of which $39.5 million is financed from general funds, $4.3 million is financed from the Unemployment Trust Fund and $.3 million is financed from the Black Lung Disability Trust Fund.

The Fiscal Year 1985 request reflects a decrease of $183,000 and an increase of one position as compared to Fiscal Year 1984. This is the result of a net increased cost of built-in changes totalling $2.7 million offset by program changes reflecting a net decrease of $2.9 million.

Built-in increases include: 1) the additional cost of within-grade promotions, 2) annualization of pay increase effective in January 1984, 3) annualization of 1984 program increase, 4) increased cost of audit contracts, and 5) other items explained in detail in the summary of changes. Built-in decreases of $43,000 relate to the net decreased cost of miscellaneous contracts. A program increase of 7 positions and $284,000 is requested for Fiscal Year 1985 to support investigations of labor-management racketeering cases and other labor related organized crime activities. This increase is offset by a decrease of $2.8 million in contract audit funds and 6 positions and related funding for savings achieved through management efficiencies, streamlining program operations and reducing GSA Standard Level User Charges as detailed in the summary of changes.

Departmental Management - Veterans Employment and Training Services

The Veterans Employment and Training Service is requested to be established as a separate account in Departmental Management in 1985 and is financed by the Unemployment Trust Fund as authorized by the Social Security Act.

Funds for this account are requested to carry out programs to maximize employment and training opportunities for veterans. Services provided include functional supervision over the execution of veterans' counseling, training and placement policies through the public employment service and other employment and training programs; monitoring and oversight functions to ensure compliance by federal contractors; conducting outreach and public information programs; and directing the implementation of special national demonstration projects that target special veterans groups.

The budget request for Fiscal Year 1985 for the Veterans Employment and Training Services appropriation is $122.2 million

and 282 positions. This Fiscal Year 1985 request represents a net increase of $578,000 and a net decrease of 7 positions over the comparable base in Fiscal Year 1984. Included in the base are the comparative transfers of $2.6 million and 48 positions from the Labor-Management Services Administration, Salaries and Expenses and $519,000 and 16 positions from the Employment and Training Administration, Program Administration.

In the Fiscal Year 1985 budget request the two major increases totalling $4.2 million are composed of built-in increases of $4.0 million and a program increase of $.2 million. Built-in increases include: 1) the net increase in personnel and nonpersonnel costs, 2) additional cost of within-grade promotions effective in 1984, 3) increased general merit pay cost, 4) increased cost of GSA Standard Level User Charges and 5) other items as explained in the summary of changes. The program increase of $.2 million is to provide for increased staff for the Local Veterans Employment Representative Program (LVER) and associated postage.

A total program decrease of $3.6 million and 7 positions is proposed. Mandatory decreases of $3.2 million provide for a decrease in legally mandated positions in the Disabled Veterans Outreach Program (DVOP) and net decreases in costs of administrative services. Program decreases of $.4 million represent savings achieved through management initiatives, reductions in GS/GM 11-15 positions as a result of streamling program operations and decreased cost of GSA Standard Level User Charges due to the Administration's policy to freeze rates at the 1984 level.

Departmental Management -- Special Foreign Currency

The budget request for Special Foreign Currency in Fiscal Year 1985 totals $200,000 which is necessary to support foreign service consultation and travel to a world-wide conference in New Delhi for all Labor attaches. Holding a world-wide conference will contribute significantly to efforts to acquaint all overseas labor attaches with the current reporting needs of the Department, discuss strategies for achieving U.S goals in the international labor field, and to consider methods for increasing the effectiveness of the Labor attache corps.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

Department of Labor
Agency: U. S. Department of Labor
Appropriation: Departmental Management - S & E

Activity	1983 Enacted		1984 President's Estimate		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Exec. Direction.....	144	$ 10,653,000	167	$ 11,475,000	157	$ 11,070,000	157	$ 11,158,000	149	$ 11,232,000
2. Legal Services.....	812	35,229,000	812	36,092,000	812	36,092,000	812	36,480,000	801	39,838,000
3. Internat'l Labor Affairs.....	83	5,941,000	83	4,455,000	83	4,455,000	83	4,498,000	82	4,794,000
4. Admin. & Mgmt.....	336	24,489,000	316	24,629,000	316	24,629,000	320	24,930,000	320	24,486,000
5. Adjudication.....	389	9,976,000	389	9,974,000	389	9,974,000	389	10,160,000	389	10,093,000
6. Promoting Empl. of the Handicapped.....	39	1,987,000	39	2,001,000	39	2,001,000	39	2,018,000	39	2,129,000
7. Women's Bureau.....	79	3,763,000	75	3,789,000	79	3,862,000	79	3,899,000	84	4,130,000
8. Veterans Empl. Svc.....	225	8,935,000	225	9,613,000	225	9,613,000	--	--	--	--
9. Civil Rights activities	70	2,968,000	70	3,205,000	70	3,205,000	70	3,240,000	69	3,268,000
Total.....	2,177	103,941,000	2,176	105,233,000	2,170	104,901,000	1,949	96,383,000	1,933	99,970,000
Federal Funds.....	(1,676)	(94,789,000)	(1,675)	(95,391,000)	(1,669)	(95,059,000)	(1,673)	(96,154,000)	(1,657)	(99,730,000)
Trust Funds.....	(501)	(9,152,000)	(501)	(9,842,000)	(501)	(9,842,000)	(276)	(229,000)	(276)	(240,000)

NOTES:
Amounts include 268 positions funded from the Black Lung Disability Trust Fund.
1984 Revised and 1985 Estimate reflect the comparative transfer of Veterans Employment Service activities to a separate appropriation account.

Department of Labor
Agency: U. S. Department of Labor
Appropriation: Departmental Management - Office of the Inspector General

Activity	1983 Enacted		1984 President's Estimate		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Office of the Inspector General.....	516	$ 44,968,000	573	$ 43,907,000	559	$ 43,407,000	559	$ 43,700,000	560	$ 43,765,000
Federal Funds.....	(496)	(38,133,000)	(499)	(37,707,000)	(499)	(37,707,000)	(499)	(38,000,000)	(505)	(39,465,000)
Trust Funds.....	(20)	(6,835,000)	(74)	(6,200,000)	(60)	(5,700,000)	(60)	(5,700,000)	(55)	(4,300,000)

NOTE:

Amounts include 12 positions in 1984 and 7 positions in 1985 funded from the Black Lung Disability Trust Fund.

Department of Labor

Agency: U. S. Department of Labor

Appropriation: Veterans Employment and Training

Activity	1983 Enacted		1984 President's Estimate		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. State Administration										
a. Disabled Veterans Outreach Program...	--	--	--	--	--	--	--	$ 59,500,000	--	$ 59,200,000
b. Local Veterans Employment Program.	--	--	--	--	--	--	--	49,300,000	--	50,100,000
2. Administration.....	--	--	--	--	--	--	289	12,794,000	282	12,872,000
Total Trust Funds.....	--	--	--	--	--	--	289	$121,594,000	282	$122,172,000

1/ Note - 1985 Estimate are for activities previously financed from Department of Labor:

	1983 Actual	1984 Estimate
Departmental Management Salaries and Expenses.....	$ 8,935,000	$ 9,721,000
Labor-Management Services Administration, Salaries and Expenses.....	2,178,000	2,554,000
Employment and Training Administration, Program administration.....	--	519,000
Employment and Training Administration, State Unemployment Insurance and Employment Service Operations.....	91,298,000	108,800,000

Department of Labor

Agency: U. S. Department of Labor

Appropriation: Departmental Management - Special Foreign Currency

Activity	1983 Enacted		1984 President's Estimate		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Foreign Service Consultation.....	--	$ 67,000	--	$ 200,000	--	$ 67,000	--	$ 67,000	--	$ 200,000
Federal Funds.....	--	67,000	--	200,000	--	67,000	--	67,000	--	200,000

BUDGET REQUEST

Mr. KOMAREK. We are asking, Senator, for $113.6 million and 1933 positions in the S&E account; $44.1 million and 560 positions for the Office of Inspector General; $122.2 million and 282 positions for the Veterans Employment and Training Service, and finally, $200,000 for special foreign currency.

Joining me later this morning—I would expect him to be here very shortly—is Mr. Posner from the President's Committee on Employment of the Handicapped. He also has a statement which you may or may not wish to have him deliver later on in this hearing.

Thank you, Mr. Chairman.

CENTRALIZATION OF VETERANS PROGRAMS

Senator WEICKER. Your budget establishes a new Veterans Employment Service appropriation, which centralizes certain veterans activities previously contained in various other Labor Department accounts.

To what extent is there a danger that this high visibility separation of veterans appropriations could actually lead the mainstream service delivery organizations to feel they now have less direct concern for veterans?

Mr. KOMAREK. The mainstream organization in this case, particularly in the Employment and Training Administration, will continue its concern for veterans' employment. I think the establishment of this separate organization and funding category responds to two things. First off is the desire of the Secretary and the Administration to emphasize veterans' employment and training. Second, the Job Training Partnership Act specifies very, very few special categories of interest. Veterans are clearly one of those categories specified in the new law and, as such, we thought it would be appropriate to separate the veterans employment and training programs from the rest of the Employment and Training Administration.

Senator WEICKER. What specific data is being collected to measure the extent to which Job Training Partnership Act programs are serving veterans?

Mr. KOMAREK. There really are going to be two different ways we collect data. The Veterans Employment and Training Service has a specific fund provided for in the Job Training Partnership Act, and those particular grants which Mr. Plowden will be administering himself, will have very, very specific veterans' employment reporting requirements. Those reports will specify exactly how many veterans are going to be served.

In the main line block grants under the Job Training Partnership Act, the reporting requirements do not specify individual categories of people to be reported on a regular basis. The way we expect to find out the extent to which veterans or any other category of individuals over which we have special concerns are served is by after-the-fact evaluations. What this will do is allow the States to operate the programs with a minimum of paperwork needed to be furnished to the Federal level.

Mr. Plowden, do you want to add anything?

Mr. PLOWDEN. Well, we have a network of Veterans Employment and Training Service offices throughout the country, with at least one office in every State. We also have grant agreements to finance disabled veterans outreach program specialists and local veterans employment representatives assigned to the local job service offices. They will be monitoring the job service programs and other programs as they affect veterans.

VETERANS PROGRAM STAFFING

Senator WEICKER. Your budget includes 282 staff to administer two relatively small veterans programs totaling $121 million—282 for $121 million—and by contrast, the Employment Training Administration budget has 1,764 staff to administer programs totaling $6 billion.

Now maybe you would like to explain the disproportion that exists here of people to program.

Mr. KOMAREK. It's a very good question, Mr. Chairman. The basic difference is that the Employment and Training Administration is overseeing or managing something which is very close to a block grant program. The intent in the Employment and Training Administration is to minimize the direct oversight in day-to-day management of those grants that we have provided to the States and let the Governors go ahead and provide that kind of day-to-day management.

I would expect, for example, Mr. Chairman, that each Governor himself might have a veterans person and an equal opportunity person on his or her staff to look at how those block grants are administered. Therefore, ETA does not have to replicate that.

On the other hand, Mr. Plowden has categorical programs with very, very specific objectives that are tied to individuals being served as veterans. There are a whole series of rules, for example, in the Employment Service about referring veterans to jobs within 24 hours. So basically, it is a question of how specific the laws are that these two organizations are implementing and Mr. Plowden is operating under a much more specific body of laws.

INSPECTOR GENERAL PROGRAMS

Senator WEICKER. You are requesting an increase of $284,000 and seven positions for the organized crime unit. Are these resources needed to augment existing investigations, or are you planning new ones?

Mr. KOMAREK. Mr. Chairman, I will let Mr. Hyland answer that.

Mr. HYLAND. That is to augment the strike force staffs we presently have in operation throughout the country. We haven't decided what offices we will allocate them to and we will be talking with the Department of Justice about it, but it is just to meet the current workload.

Senator WEICKER. How many do you have right now?

Mr. HYLAND. Our total component consists of 100 positions. That includes about 11 clerical with 89 investigators.

Senator WEICKER. You have no specific ideas in mind here?

Mr. HYLAND. Well, I think we are leaning toward New York and New Jersey. I have talked to the strike force attorneys up there, and they think we should double our size to handle the existing workload. We have 20 agents in New York. Seven positions are not a lot to go around and we just want to make sure we have them where we need them most.

Senator WEICKER. Is it correct to say that both the Office of Inspector General and the Labor Management Services Administration conduct investigations under the Labor Management Reporting and Disclosure Act?

Mr. HYLAND. Yes, sir.

Senator WEICKER. If those investigations are warranted, why are they not conducted by regular Labor Management Services Administration compliance officers?

Mr. HYLAND. Sir, there was a decision several years ago to move the organized crime program out of LMSA. Extensive hearings were held at that time. I think basically there was a desire to intensify the specific focus on organized crime infiltration of labor related activities and the expectation that the Inspector General's Office would give them more objectivity. OIG's investigations under the Labor Management Reporting and Disclosure Act have that specific focus on the activity of organized crime.

WOMEN'S BUREAU PROGRAMS

Senator WEICKER. Your budget document indicates you are planning to reduce discretionary funds available for Women's Bureau projects from $750,000 in fiscal 1984 to $400,000 in fiscal 1985. Yet Secretary Donovan said last week there might not be a cut. When will this matter be resolved?

Mr. KOMAREK. Mr. Chairman, I don't think that the matter will be resolved in the short term. Right now we're talking about fiscal 1985. The reduction in the funding for the Women's Bureau roughly parallels the reductions in funding in other nationally funded projects. The hope throughout the system is that these various demonstration grants that have been established in the national account will ultimately be picked up and carried on by the States. Much of the national account, both the Women's Bureau funds and the other discretionary funds of the Secretary, are used to establish demonstration projects.

So one way for the number of women's projects to be expanded would be for the States to pick up these demonstrations. The second way, as the Secretary discussed the other day, is to keep his eyes open for possible additional funding for these programs in the year ahead. Bu. at this point in time here in early fiscal 1984, we don't have any specific plans to increase funding.

Senator WEICKER. Is Mr. Posner here yet?

Mr. POSNER. I'm here.

INCREASE IN PROGRAMS FOR THE HANDICAPPED

Senator WEICKER. You are requesting a $50,000 increase for the President's Committee on Employment of the Handicapped to conduct mass media campaigns. How do you anticipate your request will impact on the employment needs of our Nation's handicapped individuals and what role has the President's committee played to increase services to the handicapped under the Job Training Partnership Act?

Mr. POSNER. I'll take one at a time. The $50,000 would be used to intensify our mass media promotional efforts in business and trade magazines that directly reach employers. Right now we have an arrangement with a well-known school of art in New York to voluntarily handle all the creativity for this campaign—do the photography, create the concepts, and really bring it into existence. The money we need is for production to put flesh on the bones of their creativity. The same thing holds true of some of our efforts in radio and television, where a number of corporations donate public service spots to us. It is one thing to have a spot donated, and it is another thing to have prints made for TV stations. So the money will be used to put into reality some of the great volunteer promotional services that are given to us.

The other question dealt with the Job Training Partnership Act and the role of the President's committee in making it known. We have been promoting public knowledge of this act. We have written a brochure on the impact of the act, in terms of promoting jobs and promoting training for disabled people. We are having a session on the act and its implications for the disabled at our annual meeting, which this year will be May 2, 3, and 4. Some of the people on the staff have been quite active in trying to get the act to more directly serve the needs of disabled people.

STATE AFFILIATES FOR THE HANDICAPPED

Senator WEICKER. Are there affiliates of your committee in the States?

Mr. POSNER. Every State in the Union has a Governor's committee on the handicapped. We have a State/Federal difference, you know. We don't tell the States what to do, but we provide them with promotional material and advisory services and training, and they pretty well replicate at State levels what we are doing nationally.

Senator WEICKER. Do you try to act on recommendations urged by these affiliates?

Mr. POSNER. Whenever we can. Some of the States, frankly, would like to encourage the President's Committee to become more active in espousing legislation. Well, we are a President's Committee on Employment of the Handicapped, and we don't become involved in legislative promotion or lobbying but other than that, we listen to them.

Senator WEICKER. Well, does your committee represent the President, or does it represent the handicapped?

Mr. POSNER. That's a good question. The committee really is a neutral meeting ground, where people representing all sides can come together—administration people, handicapped consumers, rehabilitated

people, employers, labor, and so on, to try to speak about issues and to try to resolve differences. I'd say we sort of represent the United States.

Senator WEICKER. A year or two ago, more than 30 of the affiliates passed a resolution opposing the administration's plans at that time to weaken the section 504 regulations. What action did you take at that time?

Mr. POSNER. The resolution was passed, and we did not take action other than to transmit it to the White House, at that point, to transmit it to Mrs. Virginia Knauer. That's all that we were asked to do.

Senator WEICKER. Is the President's Committee on Employment of the Handicapped an act of legislation?

Mr. POSNER. Executive order of the President.

Senator WEICKER. John Doyle, who is the staff director of the Subcommittee on the Handicapped, which I also chair, tells me that what must have been initially intended, was that the President be advised as to what the needs of the handicapped are. I don't see it as being a committee to tell the handicapped what the President thinks. I don't think that was really involved here.

I think the theory is that the handicapped, indeed, are in a minority position, and various organizations such as this should be in an advocacy position to further their views to the administration, whatever the administration.

How do you look upon the job? Just sort of as neutral ground?

Mr. POSNER. Well, we pretty much try to fulfill the very point that John has made. We do have a Subcommittee on Handicapped Consumer Affairs, and we are trying to set up feedback mechanisms to bring together the views of disabled people which we hope to send to the President, to your committee, to other committees on the Hill that are interested in the handicapped, and to various agencies and organizations. As a matter of fact, at our annual meeting, we are having a daylong hearing where disabled people and disabled organizations will be encouraged to express themselves.

Bob Sweet, at the White House, will be listening carefully and taking notes.

PREPARED STATEMENT AND SUBMITTED QUESTIONS

Senator WEICKER. All right, Tom. I have other questions to which I would like to have responses for the record.

Mr. KOMAREK. Yes, sir.

Senator WEICKER. And otherwise, I have no further questions at this time.

Mr. KOMAREK. Thank you very much, Mr. Chairman.

[The information follows:]

STATEMENT OF BERNARD POSNER

Thank you for inviting me to say a few words about our FY 1985 budget request.

Once more, we come to you asking for no increase in personnel. But, we are requesting a small increase of $50,000 in contractual services. Our total budget request is for $2,129,000, a modest increase over last year.

At this time, I shall say a few words about the significance of the requested increase in FY 1985 for contractual services and how these small outlays will get big results. Some examples are: a contract with an organization of interpreters for deaf persons so that all meetings can be attended by those who are deaf; a contract with a handicapped social scientist to prepare four studies of handicapped people in America based on 1980 Census data; a contract with a well-known art school to prepare an entire advertisement campaign for magazines urging employment of handicapped people; and other similar items.

Now a few words about how we can operate without coming to you for personnel increases. There are two reasons: (1) we have the capability of adjusting our own priorities to keep pace with rapid changes in handicapped affairs; (2) we have been making expanded use of our President's Committee membership--volunteers and leaders in all walks of life who serve with absolutely no pay.

Here are just a few highlights of the coming year's priorities: (1) through our volunteer employers committee, we are establishing a national computerized call-in service for employers wanting to know what kind of accommodations to make for their handicapped workers; (2) we are holding special "Pathways to Employment" meetings in all parts of the country, promoting the preparation of disabled young people for jobs with bright futures; (3) we are urging the retention of middle-aged disabled workers in the labor force, rather than confront them with disability retirement; (4) we are encouraging volunteer organizations (Kiwanis, Lions, Zonta, and others) to emphasize more local projects in the area of disability using background material prepared by us; (5) we have formed a new volunteer committee to study modern techniques to make the workplace accessible to disabled people; (6) we are stepping up the technical assistance provided to all governors' committees to encourage them to step up emphasis on employment activities.

These are but bare highlights. They add up to a capacity to be responsive to the changing time. They also add up to a capacity to bring together diverse forces of society to work on the common problems of disability.

Thank you.

Questions Submitted by the Subcommittee

REFORM 1984

Question: Your budget justification indicates that the main emphasis of fiscal 1985 will be to complete the "DOL Reform '84 program". What exactly is "Reform '84"?

Answer: Reform '84 is a program established by the Secretary and monitored by the Assistant Secretary for Administration and Management to advance some of the cost reduction initiatives established by this administration in the government-wide Reform '88 program into calendar year 1984. These initiatives include, but are not limited to: the government-wide space reduction program, Federal field structure reform, elimination of excessive administrative overhead, the GS 11-15 reduction and the establishment of a National Capital Service Center. It is the Department's intent to achieve these goals as expeditiously as possible.

REFORM 1988

Question: What is "Reform '88" which is also mentioned in your budget justification?

Answer: Reform '88 is a government-wide initiative established by the administration to achieve cost reduction in the overall management of the Executive Branch. In addition to those intiatives, which the Department of Labor is pursuing as a part of Reform '84, particular emphasis is being placed on sound financial management including improved cash management and debt collection systems and the establishment of internal control procedures. The Reform '88 program will provide a focal point for effectively monitoring the progress the Federal government is making to control costs.

ELIMINATION OF REGIONAL OFFICES/GRACE COMMISSION

Question: The Grace Commission recommended a reduction in the number of Labor Department regional offices. Any such restructuring we would expect would be preceeded by consultation with the appropriate committees of the Congress and not taken unilaterally. Which Regional Offices might be eliminated?

Answer: DOL is currently undertaking a review of the smaller regions to determine where economies can be made in certain administrative and overhead functions. Any decision to alter the Department's basic structure will be based on individual program considerations and under current policies as stated in the Office of Management and Budget Circular A-105.

SAVINGS FROM REGIONAL OFFICE RESTRUCTURING

Question: How much might be saved by restructuring Regional Office organization?

Answer: It is anticipated that the smaller regional initiative will result in a savings of approximately $3.8 million.

INFORMING CONGRESS OF PLANS TO REDUCE REGIONAL OFFICES

Question: Will you keep us informed of any effort to curtail Regional Offices before the final decision is made?

Answer: The Department will continue to keep the Congress informed of any new activity in this area which is not reflected in the 1985 Budget.

GRACE COMMISSION/TELEPHONE USE

Question: The Grace Commission recommended a reduction in Labor Department telephone equipment, and more control of long distance use. How much is currently being spent on telephone equipment and long distance calls?

Answer: DOL estimates it will spend $11.5 million in FY 1984 for FTS, $.75 million for commerical long distance service and approximately $8.0 million for telephone equipment and related services.

Question: What is the potential for savings in this area?

Answer: In DOL we have launched a cost reduction/containment program. For example, our original estimate of FY 1984 FTS cost was $13.9 million. The current estimate is $11.5 million. This represents a $2.4 million savings, and we are striving to achieve more. The 1985 budget estimate is $10.0 million for FTS cost which reflects recommendations by the Grace Commission report. In line with the spirit of the Grace Commission report, we have set a goal of reducing the ratio of phone lines to employees to one phone line to two employees and the ratio of instruments to employees to less than one per employee where it is programmatically feasible.

In addition to these initiatives, we are examining the cost and service benefits of procuring a digital based communications system for the DOL headquarters facilities. Also, we are improving the quality of management information available to managers for the purpose of managing telecommunciations cost.

GRACE COMMISSION/PROCUREMENT ACTIVITIES

Question: The Grace Commission recommended centralization of all procurement activities of the Labor Department. How many "staff years" are currently utilized for procurement activities, at both National and Regional office levels?

Answer: Staff years utilized in DOL procurement activities in the National and Regional Offices are 154 and 36 respectively. Included in these numbers are operating as well as policy level personnel.

Question: What is the potential savings, both in terms of less staff and appropriations, through consolidation of procurement and contracting activities?

Answer: The Grace Commission addressed two variations of consolidation. The first would put all procurement activities under OASAM at both the National and Regional Office levels. The second, upon which savings were computed by the Commission, would merge the present national office procurement staffs of OASAM and ETA. The Commission assumed that the merger would increase productivity ten to twenty percent, or $100,000 the first year and $200,000 the second and third years.

It should be noted that the Cabinet Council on Management and Administration (CCMA) study of field activities determined that procurement offices processing more than 250 contracts annually achieve high productivity. OASAM and ETA national offices processed 1,300 and 950 contracts respectively in FY 1983. In addition, a preliminary analysis shows that DOL procurement productivity is above the govenment-wide average determined by CCMA. Thus, we are doubtful that the full savings projectd by the Grace Commission will be realized.

Nevertheless, we will embark on a feasibility study of ETA/OASAM procurement consolidation at the National Office level. The planned commencement of the study is June 1, 1984, with implementation of recommendations beginning not later than December 1, 1984. The June 1984 beginning date is required to allow determination of the impact to ETA's procurement staff by the ETA Reduction in Force scheduled for May 1984. The study's objective is attainment of procurement consolidation and attendant savings consistent with the procurement reform strategies of Executive Order 12352 and efficient program service delivery.

DOL has also just begun an assessment of all administrative and support services in the Washington area related to the establishment of a National Capital Region Service Center in early FY 1985. Procurement functions in all agencies will be included in the assessment, but the final structure of the Service Center and resulting increase in efficiency will not be known until later this year.

LAPSE RATE

Question: What lapse rate are you assuming for new positions requested in fiscal 1985?

Answer: No lapse rate was assumed for new positions for the Women's Bureau. A 25% lapse rate was assumed for new positions for the Office of Inspector General.

BUREAU OF INTERNATIONAL LABOR AFFAIRS STAFF

Question: Your budget includes $4,794,000 and 82 positions to support work of the Bureau of International Labor Affairs. What exactly do these 82 people do?

Answer: The Bureau of International Labor Affairs (ILAB) is delegated responsibility for all international activities within the U.S. Department of Labor (DOL). Since other U.S. Government agencies have prime responsibility for international relations, ILAB works closely with the State Department, the Agency for International Development (AID), the United States Trade Representative (USTR), the Commerce Department, the National Security Council (NSC) staff and other agencies as needed on international policy matters. The dual goals of ILAB are to protect the interests of U.S. workers in foreign policy decisions and to assist other agencies in the consideration of overseas labor matters related to foreign policy.

ILAB's work in international affairs, that is covered by this appropriation, can be divided into three areas: international economic policy, international organizations, and foreign relations.

International Economic Policy

As required by the Trade Act of 1979, DOL is a member of the interagency trade policy committees, including the Cabinet level Trade Policy Committee, which is chaired by the U.S. Special Trade Representative. ILAB's role is to participate in U.S. trade negotiating teams, to assist USTR in the preparation of trade policy options, to conduct research on the effects of various trade and investment policies on the U.S. employment, and to consult with organized labor through the Labor Policy Advisory structures.

ILAB also gets heavily involved in immigration issues by conducting research and developing policy proposals that are being used in the current immigration debates.

International Organizations

The Secretary of Labor is often involved in meetings of the International Labor Organization (ILO) and he chairs the

President's Committee on the ILO. Through designation by the President, the Deputy Under Secretary for International Affairs, represents the U.S. with the ILO and the necessary staff work is done by his ILO staff within ILAB. The ILO is a tripartite organization consisting of government, labor, and business representatives from each member country. One of the duties of ILAB is to consult regularly with U.S. business and labor representatives.

The ILO gets involved in a wide range of issues of importance to the United States. For example, the ILO has reviewed the situation in Poland and has criticized that government's crackdown on Solidarity. The major ILO activities are the review of member compliance with ILO conventions and technical assistance in labor areas.

Another organization ILAB works with is the Organization for Economic Cooperation and Development which has several committees carrying on the labor-related activities, including the Manpower and Social Affairs Committee.

Foreign Relations

Within the unified Foreign Service, there is a corps of labor attaches who serve U.S. embassies in countries where labor is a significant factor. DOL is a member of the Board of the Foreign Service and in coordination with the State Department, provides leadership in administering the Labor Attache program.

Through a small team of geographic area advisors ILAB analyzes labor aspects of foreign developments. ILAB has played a key role in the designation of countries for the Caribbean Basin Initiative (CBI).

Question: What is the background of this staff?

Answer: The background of the ILAB staff is quite varied. Some staff come from government domestic labor programs, some from other foreign policy agencies, some from academia, some from business, and some from the trade union movement. Many have served overseas in long or short term assignments.

In terms of position titles, most of the professional staff are international economists, commodity trade analysts, experts in international relations and geographic area specialists.

USEFULNESS OF PRESIDENT'S COMMITTEE
ON EMPLOYMENT OF THE HANDICAPPED

Question: The Region I Governors Committees (New England Area) has raised questions about the usefulness of the

President's Committee on the Handicapped. Are you aware of these concerns? If so, what have you done to address them?

Answer: We are aware of the Region I Governors' committees' concerns about the "usefulness" of the President's Committee, and we are happy to have this opportunity to respond to them.

Obviously, we do not agree with them. We are quite proud of our achievements on behalf of disabled people and on behalf of the national effort to promote jobs for them.

Before listing a few of our specific activities that might demonstrate our "usefulness," we would want to call attention to some basic facts about the President's Committee:

1. According to our Presidential Executive Order 11480, our basic functions are to promote job opportunities for disabled people, to conduct programs of public education, and to encourage cooperation between all segments of society concerned about opportunities for disabled people.

   Promotion: Our mass media promotional efforts have been most effective. Our public service magazine advertising campaign, created for us without cost by a well-known school of art, has won awards in art directors circles. Our recorded public service radio spot announcements are given about $3,000,000 a year in free air time. Our magazine, "Disabled USA.," has won several awards for excellence. We have been successful in encouraging business publications to carry stories about disabled people in the workforce. We also have been effective in encouraging other organizations in the disability field to stress employment in their public relations efforts; in fact, we have just helped them create a national organization to heighten their effectiveness in communications.

   Cooperation: We constantly encourage across-the-board cooperation. We provide a meeting ground where organizations of all kinds, public and private sectors alike, can meet to discuss common problems and work on common goals and objectives. Our Annual Meeting brings together more than 4,000 people and provides such a cross-cutting forum. So do our many special national meetings on various topics of current concern: new federalism, job preparation, job modification, disabled veterans, affirmative action, mental retardation, many others.

2. Our membership is broad. It cuts across all sectors of society. This breadth of membership is part of the strength of the President's Committee. It provides a solid base upon which to build coalitions and task forces. Public and private sectors, business and labor, rehabilitation and consumers -- all sides take part in

these common efforts. But this broad base, encompassing all shades of opinion, precludes the taking of positive positions about legislation or regulatory changes. The President's Committee is not an agency that concentrates on debating of issues and on the passage of resolutions. Rather, it is an action-oriented Committee.

3. The President's Committee is at the service of whomever happens to be President of the United States. We do not feel we should take positions on issues that might run contrary to the Administration's policy. Recently, some Governors' Committees have urged the President's Committee to take a strong public stand opposing the position of the Administration on 504 regulations. We did not feel that President's Committee could do this.

4. There is another dilemma arising between the President's Committee and the Governors' Committees. A few years ago, virtually all Governors' Committees were concerned primarily with employment. At the present time, more than half the Committees have become advocates for all disabled persons needs which extend beyond employment. Naturally, these Committees would like to have PCEH's support on various issues other than employment. We are not unaware of total needs, and we are responsive to them, but we cannot change our basic direction which was created by a Presidential Executive Order.

At this point, we would like to present just a few examples of our activities serving disabled people. We have several Standing Committees, each made up of volunteer members, each having its own achievements. But we will select just a few. These few demonstrate the capacity of the President's Committee to bring together diverse forces for common action. And they demonstrate how much volunteers can accomplish, working together with our small staff.

Employers Subcommittee

This Subcommittee is made up of executives from the world of business, who are all volunteers. It has just created a Job Accommodation Network, and a nationwide computerized service for employers wishing to know more about making accommodations for disabled workers. The new system will be implemented late this spring. This project was made possible because of the hundreds of hours of time devoted to it by volunteer members.

Youth Development Subcommittee

We have been concerned that disabled young people for the most part are not being prepared for jobs with bright futures, keeping pace with these changing times. So we arranged a couple of national conferences, "Pathways to Employment," where we brought together leaders from a variety of fields (business, labor, education, vocational training, counseling, more) to

discuss the problem and to provide solutions. And now we are encouraging State meetings, in conjunction with Governors' Committees, hoping to build a groundswell for action. Again, our volunteer members have been the sparkplugs.

Work Site Subcommittee

Many of our members are convinced that the real need in opening new jobs for disabled people is the matter of accommodation. How can jobs be adapted? How can the work place be adapted? We have just formed a new Subcommittee, made up of the nation's leading experts in these matters, to come up with activities dealing with the matter of accommodation.

Consumer Affairs Committee

This Subcommittee provides much of the leadership in the disabled movement. It has been performing an invaluable role: developing "feedback" mechanism so that the President's Committee can become aware quickly of the opinions and thoughts and concerns of disabled leaders everywhere. At the Annual Meetings, forums are featured in which disabled people can express their views. Minutes of these forums will be distributed nationwide. Plans of this Committee are to establish a newsletter of "feedback," which can be distributed to Members of Congress, Federal agencies and others.

Medical Committee

This Committee has held a series of meetings which have been "firsts" in America and which have served the needs of large numbers of disabled people. One had to do with pain as a disabling condition. The other had to do with heart victims and their prognosis for work. The format of both topics: a national meeting, followed by a series of State meetings sponsored by Governors' Committees.

Miscellaneous

There are many activities of the President's Committee that do not fit into the Subcommittee structure. Among them: a series of booklets on disabled people in America, based on 1980 Census data (general picture, disabled women, disabled Blacks, and disabled Hispanics;) our Annual Meetings which have become the nation's leading yearly event focusing on disability; leadership in the development of ANSI standards for barrier-free buildings; input in a variety of national thrusts in the employment of disabled people, the latest project of HHS in developmental disabilities; Projects with Industry, a disability committee just formed as part of national association of employment service people; the White House Work Group on Disability.

Service to the States

Mention should be made of special technical and educational services which we provide to Governors' Committees. We cooperate with them in a yearly training conference, provide them with a newsletter on trends in the disability world, provide them with materials for their own use, and have given them some invaluable help.

For example, within the last four years, 20 Governors' Committees were threatened with abolition, as budgets got tighter in the States. Seven of those States were in Region I. Nearly half the States experienced financial difficulties; many of the others were threatened with abolishment by "sunset laws." We were successful in helping to stabilize conditions in 17 of the 20 States; 6 were in Region I.

Another example: this past year we mounted an intensive campaign with the States to ensure that Governors took action to provide services to disabled persons under the new Job Training Partnership Act.

We are sure you realize the deep commitment and leadership provided by the staff of the President's Committee to the disabled people of this country. Our Chairman and two of our Vice Chairmen are severely disabled. Half the staff have disabilities. Many of those on our Executive Committee are disabled. All this add up to a commitment and dedication that is deeply felt and it is a commitment and dedication that translates into some of the actions and programs which the President's Committee has taken on.

DISPLACED HOMEMAKERS NETWORK

Question: How much is set aside for continuation of the Displaced Homemakers Network in program year 1985?

Answer: The 1985 program year covers the period July 1985 through June 1986. No funds have been "set aside" for the Displaced Homemakers Network in program year 1985 to date. A funding level for this organization is still under consideration in the Employment and Training Administration, and a decision will be based upon review of total projected program expenditures in 1985. Once a decision has been made, the Women's Bureau will be notified of the acceptable funding level so that they can proceed with the procurement process.

MODEL PROJECTS FUNDING

Question: If Congress restored model projects funding to the fiscal 1983 level of $1.2 million, how would the Women's Bureau spend it?

Answer: As a part of its long term planning process, the Women's Bureau has identified a number of issue areas which it feels are of great importance to working women and/or women who would seek to enter the labor force. In addition, the Bureau is presently funding projects which are multi-year activities or are research contracts upon which demonstration model projects could easily be based. The following descriptions of funding projects reflect activities not to exceed a cost level of $1.2 million in FY 1985:

-- continue funding to the Displaced Homemakers Network to provide technical assistance to local displaced homemaker service providers and to develop program initiatives to enhance the access of these reentry women to the labor market for $215,000;

-- develop a project based upon research conducted by the National Academy of Sciences for the Women's Bureau, to show how to reduce women's anxiety about the introduction of more technically-oriented work requirements and to inform women of specific job opportunities and the skills needed to enter these jobs for $100,000;

-- examine the services to women through JTPA to determine if they are receiving training in higher paying nontraditional jobs which will enhance their self-sufficiency for $100,000;

-- develop a model based upon an earlier WB research project to identify upper level occupational opportunities and their skill requirements, then, demonstrate how to relate women's professional, educational, military and voluntary experience to them for career transition placement for $100,000;

-- identify the particular concerns of single heads of households with their dual responsibilities of work and family; and develop and implement a model project to show how to most effectively address the concerns for $75,000;

-- undertake a demonstration project to develop entrepreneurships for women as child care providers, focused on JTPA-eligible women for $70,000;

-- develop and implement a project to test the theory of competency-based training for determination of completion of apprenticeship experiences through a community college to provide college credit also for $60,000;

-- replicate in four regions a program based on another WB model project to provide services to older/mature women

through local community college systems as they seek to reenter the labor market for $60,000;

-- carry out a project to field test the model developed through a joint effort with the Department of Transportation's Federal Highway Administration to increase the number of women employed in nontraditional jobs in the highway construction industry for $50,000;

-- develop and implement a project on the critical role of mentoring in career progression for $60,000; and

-- carry out regional projects to address specific local needs for $310,000.

AMOUNT REQUESTED FOR 1985 MODEL PROJECTS

Question: Provide for the record how much the Women's Bureau requested for fiscal 1985 model projects, and a description of how these resources would have been utilized.

Answer: Initially, the Department requested a line item of $1.2 million for the Women's Bureau in the Departmental Management Salaries and Expenses appropriation. The request before you is for $400,000 in the Training and Employment Service appropriation.

The projects discussed above represent funding plans for the $1.2 million. The Bureau's plans for the $400,000 are enumerated below:

1. examine services to women through JTPA for $100,000;

2. use data from the National Academy of Sciences project on high technology to develop a model focusing on reducing women's anxiety about more technically-oriented work requirements for $100,000;

3. commit $90,000 to the development of a model on upper level career opportunities for women's career transition;

4. develop and implement a project on the critical role of mentoring in career progression for $60,000; and

5. carry out a joint effort for $50,000 with the Federal Highway Administration to increase the employment of women in the highway industry.

DIRECT APPROPRIATION FOR MODEL PROJECTS

Question: Why shouldn't we provide a direct appropriation to the Women's Bureau for projects rather than rely on transfers from the Employment and Training Administration?

Answer: The mode of operation for the Women's Bureau is not one of a service deliverer, but rather to provide pilot demonstrations on the changing needs of women. The funding of these projects is currently made available from the Secretary's discretionary funds in the Training and Employment Service appropriation which allows more flexibility than a direct appropriation. Since a ceiling is not put on these projects under this arrangement, additional funds may be allocated as the need arises.

JUSTICE DEPARTMENT CONTRACTS

Question: Last year, the Department of Justice requested a supplemental to cover increased costs of work performed by the Labor Department Solicitor's Office related to investigation under the Employee Retirement Income Security Act. This supplemental was agreed to, with the understanding that future costs would be covered in Labor Department budget requests. Have you worked out an agreement with the Justice Department so that it won't be necessary for that agency to request funds for Labor Department work?

Answer: The Office of the Solicitor (SOL) has reached an agreement with the Department of Justice whereby no more Department of Justice funds will be needed to support SOL litigation activities under ERISA.

Question: Are you confident that the $2,000,000 increase in your fiscal 1985 budget is sufficient to meet all requirements for litigation support services?

Answer: Yes, based on currently available information.

Question: How was this budget estimate derived?

Answer: This estimate was prepared based on the projected requirements during fiscal 1985 of the cases for which we are currently responsible and assumes that, to the extent these cases may be resolved, new matters will be undertaken that will require comparable resources. These resources will only be used for those cases that, because of size, uniqueness, dollars involved, potential involvement of organized crime, or for similar reasons make the use of these resources appropriate.

SHIFT IN AUDIT FUNDING

Question: We understand the Labor Department is planning to shift funding of Inspector General Audits from Departmental Management appropriations to be absorbed by individual grant recipients whose funding comes out of the Training and Employment Services account. To what extent will this shift reduce the amount of money available to grantees for other necessary administrative expenses?

Answer: Previously, grant recipients paid for grantee and subgrantee audits from their administrative funds. With the implementation of OMB Circular A-102, Attachment P, Federal financial and compliance audit responsibility shifted from individual grant by grant audits to organizationwide audits. The cost of the single organizationwide audit should be less than the aggregate cost of numerous individual grant audits.

State and local governments should use normal financing procedures to pay for the single audit. Under the current arrangements the Federal Government will reimburse grantees for its fair share of audit costs in accordance with OMB Circular A-87, "Cost principles for State and local governments." These payments are usually made as part of the allocated cost of grant programs carried on by the unit of government.

Questions Submitted by Senator William Proxmire

GRACE COMMISSION/TELEPHONE USE

Question: The Grace Commission Task Force report pointed out that the Labor Department had more telephones than it had employees. In fact, the report found that in Washington there were nine telephones for every seven employees. Why do you need so many telephones?

Answer: In line with the spirit of the Grace Commission report, DOL has set a goal of reducing phone lines to a ratio of one line for every two people and a ratio of instruments to employees of less than one per employee where it is programmatically feasible.

Question: The Task Force report found that you could save $4.8 million over three years if you reduced your number of multiline telephones, and removed excess telephone lines and equipment. Do you concur? If so, what is your timetable for implementing these recommendations?

Answer: While we agree with many of the Task Force conclusions, we do not agree with this recommendation. Because of events that have occurred subsequent to the AT&T divestiture, it has proven to be more cost effective to buy a substantial

proportion of DOL's presently installed phone equipment. The equipment will be fully paid for during the first quarter FY 1985. Replacing existing equipment at this time will increase costs rather than decrease them. Long term cost containment will come by not having to pay rent for instruments at the completion of the purchase. In addition, in locations, where the phones were not purchased (many of our regional offices), GSA plans to replace the networks with modern digital based systems. It will be more cost efficient to downsize equipment requirements at that time.

Question: According to the Task Force report, an internal Department of Labor memorandum estimated that unauthorized phone use at the Department ranged from 10 to 40 percent. The Task Force suggested that you could save $3.3 million over the next three years by reducing unauthorized long distance telephone usage. Do you agree?

Answer: DOL has launched an aggressive FTS cost containment program. In FY 1984, FTS cost reduction amounted to $2.4 million. Our goal is to continue the program and hopefully yield the savings anticipated by the Task Force.

Question: Back in October of 1979 the Assistant Secretary for Administration and Management proposed that 20 percent of your telephones lines be restricted from FTS access as a means of controlling unauthorized long distance calls. Was this recommendation implemented and if not, why not?

Answer: The policy of the Department is to restrict access to the FTS network as a means of controlling unauthorized long distance calls when it is appropriate and cost beneficial to do so. While restrictions have been implemented, restrictions are not the ultimate answer in FTS cost reduction. The restriction process costs money; frequently it costs more than the abuse it is intended to thwart. For example, each line restriction costs $14.00 to initiate and $.50 a month to maintain.

EXECUTIVE DIRECTION STAFFING

Question: Mr. Komarek, you plan to cut a Departmental Management Executive Direction staff of 157 by eight positions in 1985 "as a result of efficiencies made possible by the Administration's management improvement initiative." However the Department plans to make deeper cuts in other executive direction activities. For example executive direction staff for the Labor-Management Services Administration would be reduced by 11 positions from a base of 97 while Employment Standards Administration executive direction personnel would fall by 25 positions from a current level of 245. Why is it that management initiatives allow you to cut Departmental executive direction staff by only about 5 percent when you are

able, apparently, to cut the Executive Direction staff of your operating units by over 10 percent?

Answer: The majority of Departmental Management Executive Direction staff are devoted to departmental policy-making functions rather than management functions. In contrast, the executive direction activities of the other agencies you cite have a much larger portion of their staff devoted to administrative management functions. This accounts for the percentage difference in position reductions requested.

BENEFITS FOR FORMER PERSONNEL

Question: Last year at this time you estimated outlays of $11,000 in fiscal year 1983 to pay benefits for former personnel. You ended up spending $399,000 for this purpose. Can you explain why your actual expenditures were so much greater than your estimated outlays?

Answer: The amount of $399,000 represents Departmental Management's reimbursement of the Federal Employees Compensation Account (FECA) for unemployment compensation payments for former employees as authorized under Public Law 96-499. The States have the responsibility of reporting to ETA the total of all chargeable unemployment payments on a quarterly basis. There appears to have been a two-quarter lag in Fiscal Year 1982 in the States' reports submitted to ETA for all payments made in that year. Therefore, due to the billing process by the States, the actual payments of $399,000 in FY 1983 include payments for FY 1983 as well as payments carried over from FY 1982.

Since these costs resulted primarily from the employment reductions taken in 1982, these costs should be greatly reduced in the future.

COMPUTER MANAGEMENT

Question: A Grace Commission Task Force report indicated that $8 million in savings could be realized over three years if the Department exercised central control over its automated data processing activities. The report indicated you could save $5 million in computer acquisition costs alone. Do you agree with the report and, if so, what steps are you taking to centralized computer management activities?

Answer: The Department does not agree with the savings estimates made by the Grace Commission Task Force. The Task Force did not consider the complexity of the Department's programs and the associated complexity of the data processing tools and techniques used to support them when they made the following assumptions:

1. That a single data processing environment could adequately support the different programs of the Department.

2. That a few, large, general purpose computers are qualitatively equivalent to several, smaller, and special purpose computers.

The Task Force tended to view data processing as an activity that provides high volume, repetitive processing using a limited portfolio of software applications for several divisions engaged in very similar activities. Therefore, they viewed capacity planning and control as the major issue facing data processing management.

This is not the environment faced by the Department of Labor. The Department is closely akin to a widely diversified conglomerate. It delivers a wide variety of programs, through specialized administrative bureaucracies, to a diversified set of target groups. The challenge to data processing management in this environment is to match a similarly diversified set of automated tools and techniques to the needs of the programs. No single, general purpose solution is available.

The Department has conducted cost estimate studies that indicate it is both expensive and ineffective to force general purpose ADP solutions onto specialized program problems. These estimates refute the estimates of the Task Force. In its estimates, the Task Force considered only ADP equipment costs. It failed to take into account the costs of the software development, organizational realignment, and extensive telecommunications necessary to make general purpose equipment fit diverse, geographically dispersed programs operated by highly specialized bureaucracies.

Consequently, the Department evolved an ADP Management Strategy that accommodates such diversity while at the same time retaining centralized oversight.

Occupational Safety and Health Administration

STATEMENT OF THORNE G. AUCHTER, ASSISTANT SECRETARY, OCCUPATIONAL SAFETY AND HEALTH

ACCOMPANIED BY:

PATRICK R. TYSON, DEPUTY ASSISTANT SECRETARY
JOHN B. MILES, JR., DIRECTOR, DIRECTORATE OF FIELD OPERATIONS
DAVID C. ZEIGLER, DIRECTOR, DIRECTORATE OF ADMINISTRATIVE PROGRAMS

PREPARED STATEMENT

Senator Weicker. The next witness this morning is Thorne Auchter, the Assistant Secretary of Labor for Occupational Safety and Health. Mr. Auchter, please be seated and introduce your colleagues; and then proceed as you wish.

Your statement in its entirety will be placed in the record.

[The statement follows:]

32-375 O - 84 - 42

Statement of Thorne G. Auchter

Thank you for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1985 appropriation request.

The agency is requesting $217,752,000, which is a net increase of $5,192,000 over the fiscal year 1984 appropriation, and $6,892,000 over the agency's estimated obligations for fiscal year 1984. This difference reflects the Administration's proposal to rescind $1,700,000 of the funds appropriated for State matching grants in 1984.

The net increase requested in 1985 reflects: (1) built-in changes in the costs of Federal and State activities, including increases totaling $2,592,000 in the Federal share of State matching grants; (2) a requested program increase of $3,550,000 to implement the agency's new Integrated Management Information System; and (3) program savings of $1,948,000 based on anticipated management improvements. As the result of a planned cutback in administrative and overhead personnel, staffing levels under this request have been reduced by 32 positions, to a proposed total of 2,323 positions. Because these savings will be achieved through increased productivity and efficiency, OSHA will maintain at least the same level of program operations in 1985 as in 1984.

The Occupational Safety and Health Administration will conduct an estimated 70,500 worksite inspections in fiscal year 1985, which is the number currently projected for this year. That is almost 2,000 more inspections than were conducted in 1983, which was in turn the most inspections in any year since 1976. Five of every six Federal OSHA inspections will continue to be targeted at high hazard industries, primarily in construction and manufacturing. Moreover, we estimate that State inspectors will conduct another 96,000 worksite inspections under Federal matching grants; and State personnel providing Federally supported consultation services will perform an estimated 25,600 initial consultation visits.

Regarding the impact of OSHA's targeted inspections, the Bureau of Labor Statistics' occupational injury figures for calendar year 1982, the most recent year for which statistics are available, continue to show a significant decline in the incidence of lost workday injuries in the targeted industries: from 6.5 lost workday cases per 100 full-time workers in construction in calendar year 1980 to 6.0 in 1982, and from 5.2 lost workday cases per 100 full-time workers in manufacturing in 1980 to 4.3 in 1982. The incidence of lost workday injuries for all industries surveyed dropped from 3.9 cases per 100 full-time workers in 1980 to 3.4 in 1982. Overall, 750,000 fewer workers were injured on the job in 1982 than in 1980. The estimated number of work-related fatalities in recordkeeping units with 11 or more employees declined by 7.0 percent, totaling 4,090 in 1982.

A new targeting system for health inspections has been instituted, with industries selected on the basis of prior OSHA citations. These inspections, and other elements of OSHA's balanced program, will foster and promote the development of comprehensive workplace health protection programs. As a supplement to these targeting efforts, the agency has also instituted special emphasis programs for such serious problem areas as asbestos, grain elevators, longshoring,

logging, trenching and excavations, and oil and gas well drilling operations. The agency has also begun a special program to inspect textile plants for potential violations of OSHA's cotton dust standard.

Follow-up inspections, which rarely result in citations, have been reduced to less than three percent of total inspections, with abatement letters being used in most cases to assure that violations are corrected. Continued implementation of OSHA's informal settlement policy has reduced the number of citations contested by employers from almost 25 percent in 1980 to about three percent currently, resulting in less court-time for OSHA inspectors and, most importantly, more rapid abatement of workplace hazards. A nine-fold decrease from 1980 to 1983 in the time spent by OSHA's compliance officers on litigation activities, and a seven-fold decrease in the time spent on follow-up inspections, have resulted in time-savings for OSHA's inspection staff equivalent to the full-time services of an additional 98 compliance officers.

These improvements, and a change of attitude from one of confrontation to one encouraging cooperation by labor, management and government, have resulted in a new regard for the agency and its inspectors as a positive force for improving workplace safety and health. The agency promotes a balanced mix of programs which includes consultation, education, training, State plan programs, and the voluntary protection efforts of employers and employees, in addition to Federal standards-setting and enforcement activities.

As a major agency initiative this year, OSHA's area offices are being activated as local resource centers to inform workers, employers, and the general public about safety and health issues, to provide information on standards and abatement, to refer callers to appropriate agencies for training and/or consultation, and to promote voluntary programs -- without diminishing enforcement responsibilities. The focus of the agency's management objectives in 1984 is to provide the necessary guidance, education, and materials for the operation of full-service area offices. We are attempting to ensure that our resources, organization, and internal systems best support the policies and programs being implemented to establish the balanced mix of activities that the Occupational Safety and Health Act authorizes. OSHA's current objectives also emphasize, therefore, the importance of improved communications, cooperation, and coordination throughout the agency.

OSHA has identified the need for more efficient methods of disseminating management information, especially in the field. The agency's current Management Information System, or MIS, is suitable for reporting historical data, but does not fulfill the need to make rapid modifications in accordance with new initiatives and goals. Information produced by the existing MIS is frequently not available until four to eight weeks after the fact. OSHA is therefore requesting a program increase of $3,550,000 to provide full implementation of the agency's new Integrated Management Information System, or IMIS, in each area office, regional office, and section 18(b) State plan agency.

The request will enable the agency to complete the installation of necessary hardware and software in all offices. Each office will be equipped with a microcomputer capable of transmitting data,

reports, and inquiries to a central computer as a by-product of normal operations. The central computer will transmit messages and replies to the microcomputers. The IMIS will also have access to other technically and scientifically based computer files throughout the country, providing engineering, medical, and toxicological data. Area offices will have an enhanced capability to initiate activities, establish and update files, issue citations, prepare correspondence, and make operational decisions based on the most current facts.

In addition, the system will provide an alternative to Federal onsite monitoring of State program operations. Federal and State programs will use the same data elements, making direct comparisons more feasible. The IMIS will provide a much improved system for monitoring and updating information on penalty assessments and collections. With the funds requested, full implementation of the system can be completed in 1985.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to appear before this Subcommittee. I will be pleased to respond to any questions.

Department of Labor

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Activity	1983 Actual		1984 Request		1984 Appropriation		1984 Revised Request		1985 Estimate	
	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.
Safety & Health Standards.....	91	$6,958,000	91	$7,093,000	91	$7,093,000	91	$6,090,000	91	$6,165,000
Enforcement:										
a. Federal Enforcement...	1,861	78,717,000	1,861	79,713,000	1,861	79,713,000	1,861	81,684,000	1,842	82,443,000
b. State Programs	--	51,481,000	--	54,107,000	--	55,807,000	--	54,607,000	--	55,499,000
Technical Support.	150	14,036,000	150	14,052,000	150	14,052,000	150	13,535,000	150	13,713,000
Compliance Assistance.....	113	37,677,000	113	37,882,000	113	37,882,000	113	37,607,000	113	37,755,000
Safety & Health Statistics.....	50	11,592,000	50	11,787,000	50	11,787,000	50	13,016,000	50	16,819,000
Executive Direction & Administration.	89	6,088,000	90	6,226,000	90	6,226,000	90	6,021,000	77	5,358,000
Total Obligations.	2,354	206,549,000	2,355	210,860,000	2,355	212,560,000	2,355	212,560,000	2,323	217,752,000

INTRODUCTION OF ASSOCIATES

Mr. AUCHTER. Thank you, Mr. Chairman. On my right is David Zeigler, Director of Administrative Programs; on my immediate left is Pat Tyson, Deputy Assistant Secretary for OSHA; and on my far left is John Miles, Director of Field Operations for the Occupational Safety and Health Administration.

SUMMARY

I have an opening statement I'd like to submit for the record and I would like to further mention a few highlights to you if I could.

In fiscal year 1985 our request is for $217,752,000, a net increase of $6,892,000 over our estimated obligations for fiscal year 1984. The increase reflects built-in increases in the cost of the Federal program and an additional $2,592,000 for the Federal share of State matching grants; a program request for $3,550,000 to implement our new integrated management information system; and a program savings of $1,948,000 and 32 positions reflecting anticipated management improvements and a cutback in administrative and overhead personnel.

Because these savings will be achieved through increased productivity and efficiency, OSHA will maintain at least the same level of program operations in 1985 as in 1984. That would be 70,500 Federal inspections, 96,000 State inspections, and 25,600 workplaces provided onsite consultation.

The program increase of $3,550,000 that we are requesting, Mr. Chairman, is to complete installing equipment needed to implement our new integrated management information system in all of our area offices. This will allow more efficient processing and dissemination of management information in the field.

All of our offices will be capable of transmitting data directly to the central computer for the first time, and area offices will have access to national data bases, such as TOXLINE, MEDLINE, CHEMLINE, NIOSHTIC, and some others that we are working on.

Area offices will benefit from automated systems for issuing citations, preparing correspondence, updating files, and maintaining information on penalty assessments and, equally as important, maintaining information on penalty collections. The system will provide an alternative to Federal onsite monitoring of State program operations since the Federal and State programs will use the same data elements.

Mr. Chairman, you may recall from our conversation last year that this will be the first time Federal and State operations are really linked together on a regular ongoing basis with information that is no older than 24 hours. It's really going to be a tremendous management tool for the agency to use.

I want to thank you for the opportunity to present our appropriation request and we would be glad to respond to any questions you may have, sir.

INFORMATION HANDBOOK

Senator WEICKER. Your agency has published a new handbook which advises staff how to deal with media. How do you justify spending money on such publications at a time when you are cutting back on the Federal enforcement staff? How much has been spent preparing and printing this publication?

Mr. AUCHTER. On the expenditure, I'll have to submit that for the record, Mr. Chairman, if that's all right.

[The information follows:]

COST OF PUBLISHING

The total costs associated with producing the "OSHA Information Handbook" are estimated to be $2,276. Staff costs for writing and editing the booklet were approximately $243 (an estimated 10 hours of professional time); the costs associated with typing were approximately $126 (an estimated 16 hours of staff time). Charges for graphics design and production were $1,205. Typesetting is estimated to be $300 and printing (including distribution costs) is estimated to be $582. No additional copies of this booklet will be printed or distributed.

CHANGE IN STRUCTURE OF AREA OFFICES

Mr. AUCHTER. The purpose of that pamphlet is to instruct our area directors and supervisors on how to deal with the media as part of our outreach program.

We initiated, in fiscal year 1984, a change in the structure of our area offices. Our area offices have traditionally been simply enforcement operations and yet OSHA was designed to provide a total program mix. So we are taking that ability that we have on a national basis and that we have always had on a regional basis—that is, consultation, training and education, and so forth—down to the area office level. That includes outreach and use of the local public media. So we want our people to know how to do that.

We want to tell the public what sort of services are available to them at the local OSHA offices and what OSHA is all about—and what's going on with new enforcement and consultation programs, new program policies, new standards development, and so forth. That's the purpose of that.

Senator WEICKER. Well, I notice on page 15 of the pamphlet there's a section on "Coping with Stage Fright." According to the pamphlet, "If you're scared, think of something funny. Make up any fantasy you want. If you can't remember anything, look at the host or the reporter and visualize that person without any clothes on. It works."

I don't understand. What is that?

Mr. AUCHTER. Well, it works. [Laughter.]

When I saw that one put in there I knew it would come back to haunt us; but the purpose of it is, as I stated, Mr. Chairman, that our people need to know how to deal with the media and we need to do more of it. That was put together by our Office of Information as an instructional tool for those folks in our 65 area offices around the country who are going to be dealing with the local press.

People do get stage fright and we're trying to help them overcome that.

Senator WEICKER. If you fellows want to be actors, you can be actors. You're in the business of Government and we come across as whatever we are, and not what any book tells us to go ahead and do.

I want a specific accounting as to exactly what was paid for this piece of work and I mean every aspect of it on both the man-hours that were consumed in putting it together and the cost of those man-hours and the cost of the publication, printing of the publication itself.

Let me say this, that at a time when this administration is talking about fraud, waste, and abuse, to waste money like that in an area where people's health and lives are at stake and where the inspections are being cut back I think is absolutely contradictory and off base.

Mr. AUCHTER. Mr. Chairman, the inspections are not being cut back.

ENFORCEMENT POSITIONS

Senator WEICKER. Your budget request will take 19 inspectors.

Mr. AUCHTER. No, sir. We have the same number of compliance officer positions in our budget request. Those are overhead positions. Mr. Chairman, inspections are not being cut back. As a matter of fact, we are being more productive with our enforcement operations than ever before and we can document that we're in more high-hazard worksites than ever before.

I can understand your concern about that particular pamphlet. I think we can allay those concerns when you take a look at our whole program and what the program is designed to do.

Senator WEICKER. I don't have any time for that. The taxpayers, at a time when they're giving up so much, should not be made to pay for that. They just shouldn't.

I don't know what you have in store and what we can do about that, but I don't want to see one more nickel spent on that.

Well, in the justification on page OSHA–17, under Federal enforcement, is a call for 19 fewer positions.

Mr. AUCHTER. Yes, sir. Those are not compliance officers. Those are overhead positions in our field operations. We're doing some consolidation of management responsibilities in our regional offices. That's all that is.

Senator WEICKER. It's not compliance, but it's in the area of enforcement.

Mr. AUCHTER. Those are overhead positions in the field.

Senator WEICKER. Never mind overhead positions. That's enforcement. That's your category, enforcement; right? It's not my words. It's your words.

Mr. AUCHTER. Not inspectors; yes, sir.

Senator WEICKER. Enforcement.

Mr. AUCHTER. Yes.

Senator WEICKER. You might be interested, Bill, that since you led the way in trying to root out the ridiculous expenditures that cost the

taxpayers so much money, these fellows have a little informational handbook here as to how to deal with the press and in the section "Coping with Stage Fright" there is something that the taxpayers paid for.

The following advice is given in the book: "If you're scared, think of something funny. Make up any fantasy you want. If you can't remember anything, look at the host or the reporter and visualize that person without any clothes on. It works," et cetera.

Now, this useful piece of information—we're getting the exact figures as to how much it cost, but my comment and the line of questioning here was that they're requesting 19 fewer positions for enforcement in OSHA and we have to go ahead and pay for matters such as that.

Senator PROXMIRE. It's a tempting candidate for the golden fleece award.

DECLINE IN CONTESTED INSPECTIONS

Senator WEICKER. I think so.

Your budget justification indicates that the proportion of OSHA inspections contested by employers has dropped from 22 percent in 1980 to about 3 percent in 1983. Do you feel that this might be a result of lax enforcement policies?

Mr. AUCHTER. No, sir. Absolutely not.

As a matter of fact, the decline in the rate of contest was something that we wanted to achieve, but we did not have a specific level that we were trying to drive to. We changed a number of our enforcement policies in 1981 and, as a result we began to see that decline. We think it's very, very significant.

As a matter of fact, in 1979 OSHA had spent in excess of 68,000 man-hours in litigation. That is with real compliance officers by the way; 68,000 man-hours in litigation. And, in 1983, we spent a little over 7,000 man-hours in litigation activities with our compliance officers.

That's a savings of around 61,000 man-hours, or about 30 man-years. So if you want to take a look at productivity, that has a tremendous impact on our ability to reach more high-hazard worksites. That's an additional 30 compliance officers out there for our purposes, and that's reflected, of course, in our improved enforcement program.

RECORD CHECK INSPECTIONS

Senator WEICKER. According to last year's testimony about 14 percent of OSHA's inspections are merely records checks. What guarantee have you that the records which OSHA checks are accurate and what steps can you take in the event you discover falsified employer records?

Mr. AUCHTER. Well, of course, that's against the Occupational Safety and Health Act, and there are penalties available for falsification of records. The spot check, if you will, that we have is that before we do the compilation of lost workday cases for the individual worksite we conduct both the employer and the employee opening interviews.

These people participate with us in pulling that information together, and watch how we calculate the lost workday case rate. The fact that the employer and the employee representative are there is I think our major check.

OCCUPATIONAL HEALTH NURSES

Senator WEICKER. The American Association of Occupational Health Nurses has made several recommendations for OSHA to more fully utilize nursing expertise in the workplace.

Would you please explain exactly how you responded to those recommendations? And I happen to know this is also a matter of deep concern to Senator Inouye.

Mr. AUCHTER. Mr. Chairman, the occupational health nurses started a letter writing campaign to have Secretary Donovan, the administration, and others order me to meet with them prior to ever contacting my office requesting an appointment. So we sort of got off on the wrong foot right away.

But such a meeting was held and I explained to them that all they had to do was call and we'd be glad to sit down and chat with them. At that time, I made a number of suggestions. They didn't have any specifics, so I made a number of suggestions whereby they might become more involved with OSHA's activities on a regular basis.

Among these were that OSHA would look into bringing an occupational health nurse into our Office of Occupational Medicine, that we would look into conducting some joint site visits, that they would be invited to make presentations about occupational health nursing to the National Advisory Committee on Occupational Safety and Health, and others which they're going to be doing next week at our meeting, and other sorts of approaches so that we would begin to learn more about each other.

Also, at that time I instructed one of my special assistants to be their liaison, to deal with them, to set up briefings for them with our program directors in the national office, so that they would understand more about the way OSHA functions and its responsibilities.

The contact has been made and we're feeling our way into it after what was a somewhat shaky start.

Senator WEICKER. Senator Proxmire?

PROPOSED ETHYLENE DIBROMIDE STANDARD

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Auchter, last week I asked Secretary Donovan if OSHA's grain dust standards adequately dealt with the pesticide EDB, which is used on grain products. He assured me that they did.

However, an article by Congressman George Miller, which appeared in Monday's New York Times, says that way back in 1981 three authoritative Government studies had projected an extraordinary high level—in fact, it was so high it seems to me it must be a Times misprint or something—anyway, an extraordinarily high cancer death level for those exposed to EDB at the then existing OSHA limit.

The article goes on to say that your own Scientific Research Division projected that 185 workers per 1,000 could die of cancer when exposed to EDB at less than three-tenths of 1 percent of the existing OSHA limit. In other words, at three-tenths of 1 percent of the OSHA limit you have 18 percent of the people exposed dying of cancer.

I understand that it has taken you 3 years to revise that standard. Why didn't you move more quickly?

Mr. AUCHTER. I am glad you raised that article by Congressman Miller.

He had a hearing on this subject where he made the same points and accusations, and at each point along the way I explained at some length to him and the rest of his subcommittee what OSHA's actions had actually been.

Now, he knows better than what he put in that article. But the fact of the matter is that OSHA takes action on a toxic substance when a couple of things occur:

The first question is: Is it dangerous? Yes; ethylene dibromide is a toxic substance, highly toxic, and we have been aware of that for some period of time.

The second question is: At what levels are people actually being exposed in the workplace? When we first received the new studies on ethylene dibromide pointing to its toxicity, we had very little information on exposure levels.

OSHA's proposed new EDB standard will affect a grand total of 4,520 employees, of whom 1,300 have potential exposure for 12 months out of the year according to the information that we have. That is our area of responsibility. Why? Because we don't really cover ethylene dibromide per se. That is covered by EPA—the levels, the procedures, the process.

The people who actually use ethylene dibromide and fumigate the commodities are called applicators. They are covered by EPA, and are not covered by us.

We cover the people who handle the commodities after they have been fumigated, when the off-gassing from the product occurs. That is the level of exposure that we had to take a look at.

Well, what information we did have was from an early study done by NIOSH that showed, as I recall, somewhere around 30 or 35 samples taken with no reportable level of exposure whatsoever in some 25 samples.

So the information that we had earlier on was that, one, EDB is dangerous, but, two, in our jurisdiction there was not much going on in terms of actual exposure levels.

OK. However, I was not convinced that we had enough information. We immediately had a health response team go to Florida, and we spent around $100,000 in the first 3 or 4 months watching the fumigation process. We had our people riding trucks from Florida to California taking measurements. We worked with the citrus industry to come up with the best process for handling the fumigated commodities, to be sure that the off-gassing occurred in the safest manner possible.

So we took action, and we have been taking action ever since. We expect these actions to come to a final conclusion around May or June.

STANDARD-SETTING PROCESS

Senator PROXMIRE. Why did it take that long to reach a conclusion? As I say, it is 3 years since the original study was made.

Mr. AUCHTER. Yes, it is.

Senator PROXMIRE. And there seems to be a terribly close connection between exposure to EDB and cancer death.

Mr. AUCHTER. Senator, this may be something you might want to look into. We issued an emergency temporary standard on asbestos, the second most studied carcinogen and the first most studied occupational carcinogen in the world.

We were lowering the permissible exposure level for asbestos, and we had huge amounts of data going back 35 and 40 years. We just lost this case in New Orleans, in the fifth circuit.

These things take so long because we have got to document our case every step of the way. To take 2½ years, which is the time that we have been working on ethylene dibromide, is not unusual in light of the——

Senator PROXMIRE. What inhibits you from changing your standard, making the standard tougher?

Mr. AUCHTER. Well, we are in the process of doing that. We are lowering the permissible exposure level, and we are probably going to drop it down to around the 130 parts per billion level when we come out with a final standard.

Senator PROXMIRE. Do you have to go through procedures which take you 2 years to complete?

Mr. AUCHTER. Yes, sir. We basically follow the Administrative Procedures Act, and we have a couple of U.S. Supreme Court decisions that tell us how we have to put our documentation together.

Senator PROXMIRE. Have you recommended any legislative changes to the Congress?

Mr. AUCHTER. No, sir. We have not at this point because, frankly, I don't know what changes we would recommend. It takes a long time to gather this information, to have the public involved, and to actually go through the information and weigh it.

Senator PROXMIRE. Wouldn't you rather be safe than sorry? Human life is a top priority for all of us.

Mr. AUCHTER. Yes, sir. But it won't fly because the court just said in the asbestos case that it is more important to have the public involved in the rulemaking than it is to work on the assumption that you are going to protect a small number of people. In my view that is what they said in essence on asbestos.

Now, I haven't read the decision yet. I will in the next few days. But OSHA has tried that time and again in the past 12 or 13 years, and every time we have gotten blown away. So the rulemaking process, for the future I think, is just going to take 2½ to 3 years on each toxic substance. We have to gather that information and weigh it, and, of course,

we are exposed to potential court challenges time and again all over the country.

Senator PROXMIRE. Don't you have any authority to move in dire emergencies?

Mr. AUCHTER. That is what the court just struck down, the temporary emergency standard on asbestos.

RISK ASSESSMENT

Senator PROXMIRE. Well, then you need a change in law, is that right?

Mr. AUCHTER. I think that what we need is to take a look at the requirements that the courts have placed on us through their interpretations of the law, and see if some fine tuning would be possible.

But, Senator, I have to tell you that will not be easy because this is a big country, and a lot of people want to be involved in our rulemaking. They are tough issues. They are not black and white issues. You start dealing in questions of toxicity and health effects, and nobody knows the answer to these things.

We are working on risk assessments. Well, nobody knows exactly what risk assessment is. That is an evolving art. It is certainly not a science yet. The best thing that you can say about risk assessment is that it is a method to compare one substance against another.

But to look at a risk assessment on ethylene dibromide and to say that *x* number of people are going to die because of exposure to EDB is absolutely wrong. That is not what a risk assessment can do for you.

Senator PROXMIRE. We are talking about the likelihood that a very large proportion of the people exposed will die.

Mr. AUCHTER. No, sir. That is just what I was saying. If you look at risk assessment, it is not an exact science. It won't tell you that.

What risk assessment can tell you is that ethylene dibromide is more toxic than substance B if you use the same methodology of risk assessment, that is about all.

Senator PROXMIRE. The article may or may not be right but it appeared in the New York Times, and Representative Miller is a responsible Member of Congress. Let me read what he said: "Three authoritative Government studies had projected 999 cancer deaths out of every 1,000 workers exposed to EDB at the then existing OSHA limit."

That means everybody exposed at those levels are going to die of cancer.

Mr. AUCHTER. If they are exposed for 40 years times 2,000 hours a year. 80,000 hours at 20,000 parts per billion. And that is what they did. They went 40 times 2,000 and got a load of that stuff and pumped it into a bunch of rats.

Senator PROXMIRE. Well, that could happen.

Mr. AUCHTER. Nobody is exposed to those levels. Nobody. EDB exposure occurs only intermittently and only at very low levels.

There are only two people in the history of EDB that have died from work-related exposure to EDB, and we think that they died by direct contact over a large part of their bodies, by contact absorbed through the skin. They were immersed in it in a tank.

PROPOSED FIELD SANITATION STANDARD

Senator PROXMIRE. I understand you recently issued a proposed rule requiring portable toilets and sanitary drinking water for 760,000 seasonal farm workers, most of them migrants, but that you did so only after a 12-year battle on the part of migratory worker advocacy groups and then only in conformance with a court order.

Is that the case?

Mr. AUCHTER. Yes, sir. That is the case. The court order was, in essence, an agreement that we would partake in a good faith effort to look at the issue of field sanitation for migrant workers, and we have issued a proposal on that basis.

But we have left the door open to not regulate field sanitation for migrant workers. The question is a very basic one, and that is: Is there a risk here that OSHA should address, or are we talking about something that should more appropriately be considered public hygiene policy?

Senator PROXMIRE. The issue is pointed up pretty well in an editorial in Sunday's Washington Post, which you may have seen.

It said, and I quote: "In issuing the proposed rule, OSHA made it clear that it isn't clear the standard is needed. It hints that it is only going through the motions of asking for comments on the mere chance that someone might have some relevant thoughts or information."

Mr. AUCHTER. No, sir, we are not going through the motions.

Senator PROXMIRE. Why shouldn't seasonal workers have sanitary bathroom facilities and access to pure drinking water?

Mr. AUCHTER. They should. However, the question is: Is there a risk there for OSHA, not some other agency, but for OSHA to address? That is what the Supreme Court told us we have to work with in the benzene decision—a question of significant risk and reduction of risk.

Senator PROXMIRE. But there is a need here that ought to be met. If your agency doesn't meet it, shouldn't you tell us what agency should be doing the job?

Mr. AUCHTER. We may be able to do that after the rulemaking concludes, but we are going through this in a good faith effort. We are going to look at the information we have, and we are going to make a legitimate decision based on the facts.

Senator WEICKER. Will the Senator yield?

Senator PROXMIRE. Yes, of course. Indeed.

RESPONSIBILITY FOR SANITARY FACILITIES

Senator WEICKER. This, then, was the result of court action to do this?

Mr. AUCHTER. It was a court agreement. This has been going on for 10 or 12 years. Every OSHA administration has been reluctant to issue the standard because there is not a demonstratable risk that was felt to be appropriate for the agency to address.

Senator WEICKER. I must concur with the implication of Senator Proxmire's remarks. I don't see why this isn't something that you are into and why you have to arrive at a court agreement.

Sanitary facilities and pure drinking water are rather basic, it seems to me, in the area of health.

Senator PROXMIRE. Let me read a little bit of the editorial. It may help.

More than 20 years ago, a Senate subcommittee found that lack of toilets, clean drinking water, and handwashing facilities promoted the spread of infectious and parasitic diseases among farm workers and the larger community.

Almost 13 years ago, a farm workers advocacy group petitioned the new Occupational Safety and Health Administration to require sanitary facilities for farm workers as it does for all other workers.

Now, after a decade of procrastination and litigation, OSHA has, under a Federal court order, issued such a standard for public comment. A long overdue victory for the Nation's most abused workers?

Don't be too sure because in issuing the proposed rule, OSHA made it clear that it isn't persuaded that the standard is needed. It hints that it is only going through the motions of asking for comments on the mere chance that someone might have some relevant thoughts or information.

What is your reaction?

Mr. AUCHTER. Senator, it is true that OSHA has been working in, around, over, under, and through this subject for the last 10 or 12 years. And it is not a court order—it is a court agreement. But I agreed that it was time for OSHA to really address the issue in a formal rulemaking—as we are trying to do with our rulemaking today. We laid out the reasons that we are doing that.

This is not something I would have chosen for our regulatory agenda in the normal course of business. It really isn't, and that is what we stated. We are going to do the appropriate thing, based on the information we get in the record.

Senator PROXMIRE. Well, let me just finish up on that issue. I have one other question.

The editorial goes on to say: "Johns Hopkins researchers found that almost half of migrant workers on the Delmarva Peninsula harbor dangerous parasites."

Isn't it in the best interests of consumers of farm crops to make sure these workers have toilet facilities and access to a clean water supply?

Mr. AUCHTER. Oh, I think it is, but I also think that the question for OSHA to resolve is whether or not that is properly the responsibility of the Occupational Safety and Health Administration—is it going to be legally upheld. That is my concern.

EX PARTE CONTACTS

Senator PROXMIRE. Now, my other question is this, Mr. Auchter.

Last November an article appearing in the Washington Post under the byline of Howard Kurtz indicated that R. Leonard Vance, who was director of health standards at OSHA, canceled a planned study of short-term exposure to the chemical ethylene oxide following a meeting with a top official of Union Carbide, a major manufacturer of the chemical.

The article cited OSHA documents as saying Vance took several other actions to insure that a proposed OSHA standard on the chemical

would not limit short-term exposure, a limit which Union Carbide, unlike other companies involved, opposed.

OSHA refused comment at the time, although a serious conflict of interest issue seemed to be raised.

Can you tell us whether any disciplinary action was taken against Mr. Vance?

Mr. AUCHTER. Absolutely not. Leonard Vance is a first-class career professional. He is an attorney and a scientist both.

The director of health standards in OSHA does not participate in ex parte contacts. We have very strong prohibitions against that, and I can guarantee to you, Senator, and to the members of the committee, and the Members of Congress, that OSHA does not do that sort of thing.

Mr. Vance does a good job and will continue to do so.

Senator PROXMIRE. Is the article false?

Mr. AUCHTER. Yes, sir.

Senator PROXMIRE. You never met with Union Carbide and Mr. Vance never did?

Mr. AUCHTER. Oh, I don't know if Vance did or not. He meets with a lot of people. If he met with Union Carbide, I am sure that everything was on the up and up. I don't have a problem with that.

Senator PROXMIRE. Was there an investigation of these allegations?

Mr. AUCHTER. Congressman Miller's subcommittee has had hearings.

Senator PROXMIRE. Did your agency make an investigation?

Mr. AUCHTER. No, sir.

Senator PROXMIRE. Wouldn't it be logical for you to check out a story by a responsible reporter such as Mr. Kurtz?

Mr. AUCHTER. No, sir, I don't think it would be. There are lots of allegations about OSHA, and if I spent my time following up on all of those, I wouldn't have been able to achieve everything that we have achieved in the last 3 years.

Our people are instructed to meet with labor, with management, with scientists, with State and Federal officials on a regular basis. We have an open door. That is nothing new.

ETHYLENE OXIDE HEARING

Senator PROXMIRE. The article says that Arlin Voress, a Union Carbide official, does not recall discussing the short-term exposure issue with Vance, but Mr. Voress acknowledged raising it the same day with Robert Beliles, director of OSHA's Office of Carcinogen Standards.

Mr. Voress says he was not representing Union Carbide at the meetings, but raised a number of issues as chairman of the Ethylene Oxide Industry Council. But there was no followup investigation on OSHA's part and no feeling that you had a responsibility to check this report out?

Mr. AUCHTER. Senator, the only thing that I did in that particular instance is the same thing that I do quite regularly, and that is to talk with our attorneys and to raise the issue at staff meetings to be sure that everybody still understands the meaning of ex parte contact. I am sure that that is the case.

Senator PROXMIRE. Beliles also charged in writing that Vance—and I quote the Post article—"directed him 'not to ask questions' at an OSHA public hearing that might have led to the adoption of a short-term exposure limit. He said, 'This may have prevented me from gathering additional information.' "

Do you think that is worth checking out? It is an exact quote from the Post article.

Mr. AUCHTER. Senator, Congressman Miller and his subcommittee looked into that allegation at some length. We would be glad to provide you with all of the information we had during that time.

[The information follows:]

HEARING ON ETHYLENE OXIDE

The hearing record referred to by Mr. Auchter has not yet been published. This material will be made available to committee staff as soon as it is published.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. AUCHTER. Senator, there is nothing underhanded going on. I am telling you that these are tough issues. We meet with a lot of people, gather a lot of information, and make the best decisions we can.

Leonard Vance is a good man. He is of the highest moral and ethical character. There is no problem there. There really isn't.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator WEICKER. Thank you. There will be further questions for response to the record.

Thank you very much.

Mr. AUCHTER. Thank you, Mr. Chairman. Thank you, Senator.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

STATE PLANS

Question: What is the difference between the Connecticut State OSHA plan for which you provide 50 percent Federal matching funds, and the New York State plan which you do not want to fund?

Answer: The basic difference between the Connecticut public employee only program and the proposed New York plan is historical and one of size and consequently of funding requirements. Connecticut initially administered a State plan covering both private and public sector employment, but the State legislature amended the Connecticut Occupational Safety and Health Act to exclude private sector coverage in 1978. Consequently, Connecticut withdrew its full plan in 1978 and converted to a public sector only State plan which was approved in October 1978. New York likewise operated an approved developmental plan for both public and private sectors from 1973 to 1975, but never became fully operational due to their inability to enact the necessary enabling legislation.

The Connecticut program is of a much smaller scale, covering 165,200 public sector employees, with a total staff of 18 at a Federal cost in FY 1984 of $351,488. The New York plan covers 800,000 employees with a staff of 87 with funding estimates of $1.7 million in FY 1984.

EFFECTIVENESS OF OSHA

Question: You indicate in your budget that the incidence of lost workday injuries has declined significantly in construction and manufacturing industries. Don't you think these high risk industries would most likely experience declines in occupational injuries as a result of the recent recession?

Answer: The incidence of job-related injuries in the U.S. has declined significantly since 1979, when such injuries were at all-time highs. The declines have been most significant in construction and manufacturing. These were the two economic sectors targeted for OSHA inspection activity by the Reagan Administration during 1981-1982.

While there is some linkage between economic cycles and changes in the injury rates, the Bureau of Labor Statistics estimates that only about 16 percent of the reduction from 1981 to 1982 is attributable to a drop in hours worked in high-risk industries.

Question: Have you made any attempt to adjust OSHA's record to account for the portion of the drop in occupational injuries associated with recessionary layoffs of the least experienced, most accident prone workers?

Answer: The Bureau of Labor Statistics has performed various studies for OSHA that show a disproportionate number of injuries occur to workers in their first year on the job. The Bureau has been unable, however, to identify any relationship with this phenomenon and the 1980-1982 reduction in injury rates. Although OSHA has recognized the importance of making new and less experienced workers more aware of the hazardousness of their particular jobs through training and public

awareness programs, there is little data about the actual number of younger, inexperienced workers affected by the recession. It is therefore difficult to project how this phenomenon affected the overall injury rates. There is a general impression that the 1981-1982 recession was deeper and wider than previous economic downturns and that it affected not only new, inexperienced workers, but many workers with years of seniority. In other words, the recession was atypical and the new hire factor probably did not disproportionately account for the decrease in injury rates. The Bureau of Labor Statistics reported that over 80% of the decrease was caused by factors other than those affecting economic conditions. It is OSHA's belief that a significant portion of the change was directly attributable to OSHA policy changes and more effective use of OSHA resources.

CONTESTED CITATIONS

Question: How do you prevent the temptation for compliance officers to avoid citations which might be contested by employers, just to show a dramatic improvement in the percentage of contested inspections?

Answer: Compliance officers are responsible for observing and reporting violations. The compliance officer's findings are subsequently reviewed by the Area Director who is responsible for issuing citations as appropriate. Any OSHA officer who failed to carry out his duties would be subject to disciplinary action.

Question: Are you concerned that emphasis on reducing contested citations might result in lax enforcement policies?

Answer: Not at all. OSHA's settlement policy simply authorizes the Area Director to do informally what the solicitor has done formally since the agency's inception. There is no evidence whatever that enforcement efforts have been relaxed.

RECORD INSPECTIONS

Question: What step can you take in the event you discover falsified employer records?

Answer: The steps can vary from simply requesting the employer to correct the records to issuing a citation for false statement under Section 17(g) of the Occupational Safety and Health Act. Such a citation carries a penalty of up to $10,000 and six months in prison.

Question: How does reduction in wall-to-wall inspections encourage safety?

Answer: The records review procedure, as the initial step in a safety inspection, helps focus OSHA's compliance effort by concentrating available resources on worksites that show a higher serious injury rate. If a workplace has a lost workday injury (LWDI) case rate that is higher than the manufacturing average, a comprehensive inspection will take place. If the workplace LWDI indicates that its safety record is lower than the manufacturing average, a so-called wall-to-wall inspection will not be conducted unless other factors in the professional judgment of OSHA's compliance officer warrant such an inspection. Though a wall-to-wall inspection might

not be conducted, the compliance officer still discusses safety and health problems and issues unique to the particular workplace he is inspecting. Whenever a wall-to-wall inspection is not needed, the inspector can devote his time to other activities or workplaces that provide a greater potential for reducing danger to employees. In addition to this more effective utilization of inspection resources, the records review procedure encourages safety in one of the ways envisioned by the OSH Act "by building upon advances already made...." An employer who ensures a safe working environment and maintains a good safety and health record will not have to undergo a comprehensive inspection.

OCCUPATIONAL HEALTH NURSES

Question: The American Association of Occupational Health Nurses has made several recommendations for OSHA to more fully utilize nursing expertise in the workplace. Please explain your position on employment of occupational health nurses in high ranking positions.

Answer: OSHA does not presently employ any occupational health nurses. While the agency's missions and functions do not require the services of occupational health nurses as such, that does not mean that their particular expertise and experience could not be utilized by the Agency. OSHA does have positions for which occupational health nurses may be qualified and vacancies occur from time to time.

Vacancies in OSHA are filled competitively following appropriate merit staffing procedures. Occupational health nurses interested in employment with OSHA are encouraged to file applications for any vacancies of interest to them and for which they are qualified. Their qualifications will be evaluated with those of other applicants and selections made on the basis of merit.

Question: Please explain your position on changing the hazard communication standard to include occupational health nurses in the definition of "health professional."

Answer: For the purposes of the Hazard Communication Standard, nurses are not routinely given access to trade secrets. During emergency stiuations, however, trade secrets must be provided immediately to treating physicians and occupational health nurses. Specific chemical identity information, which may encompass trade secrets, heretofore has been generally unavailable under any OSHA standard. What OSHA has done in the Hazard Communication Standard is to require that occupational health nurses and other treating nurses be provided this information in cases of medical emergencies. In non-emergency situations access to trade secret information is limited to physicians, industrial hygienists, toxicologists and epidemiologists. Of course, only the specific chemical identity of a chemical, if it is a trade secret, may be withheld. The hazardous effects and properties of the chemical must be disclosed in all cases.

Question: Please explain your position on providing occupational health nurses with access to specific chemical identities (trade secrets) in non-emergency situations.

Answer: Trade secret information was one of the most difficult issues to be resolved during the development of the Hazard Communica-

tion Standard. Under the proposed standard issued in 1982, trade secrets were required to be divulged only to treating physicians in emergency situations. The American Association of Occupational Health Nurses (AAOHN) did not object to this approach in their written comments and did not participate in the public hearings. Extension of the disclosure requirements to other health professionals, and to nurses in emergency situations, was made on the basis of information placed in the record by other interested parties.

The evidence in the record clearly indicated the need to ensure that information about hazardous substances was disclosed while trade secrets were protected where possible. After reviewing the evidence, OSHA decided that only specific chemical identities can be claimed to be trade secret information. In those few cases in which the specific chemical identity is a trade secret, the health protection needs of employees can be satisfied by releasing the chemical identity to those designated in the standard to receive it.

The Hazard Commmunication Standard does not go into effect until November 25, 1985. OSHA is willing to reassess any aspect of the standard if experience shows that it is not adequate to address the health and safety needs of employees exposed to potentially hazardous chemicals. However, changes in the standard can be achieved only through additional rulemaking. This is a lengthy process which requires evidence to support any modification or revision.

Question: Please explain your position on the appointment of an occupational health nurse to the National Advisory Committee on Occupational Safety and Health.

Answer: OSHA has considered AAOHN nominees for membership on the National Advisory Committee on Occupational Safety and Health (NACOSH) and will be happy to accept nominations from AAOHN for vacancies which occur. NACOSH membership is limited to twelve individuals, four of whom are chosen by the Secretary of Health and Human Services. The membership is further structured to ensure equal labor and management representation, and representation of the public and the safety and health professions. Many more organizations could reasonably be selected than there are seats available. The goal is to ensure that a variety of views on safety and health matters is heard.

STATE PLAN ENFORCEMENT

Question: Early in the Reagan Administration there was much talk about turning over more Federal OSHA authority to the States. Are you satisfied with your progress in achieving a greater State role in worker safety and health?

Answer: A great deal of progress has been made in strengthening the role of states with approved plans in the national occupational safety and health effort. The 24 states in the program are now actively involved in the development of policy and have assumed full responsibility for the OSHA program in their states.

EFFECTIVENESS OF STATE PLANS

Question: What evidence is there that States which operate their own OSHA plans are as effective as Federal OSHA in protecting worker's safety and health?

Answer: OSHA's periodic evaluation reports on the performance of State programs demonstrate generally effective performance. Identified deficiencies have not been sufficiently serious to raise questions about the States' capability of providing worker protection. All States with approved plans now have operational status agreements formalizing the suspension of concurrent Federal enforcement activity, since the exercise of duplicative Federal authority is unnecessary. The data provided by OSHA's new State plan monitoring system clearly demonstrate the effectiveness and comparability of State plan performance to federal performance.

STATE PLAN ENFORCEMENT

Question: Does State enforcement make better use of limited OSHA resources?

Answer: The 23 States with approved State plans covering both the private and public sectors match, dollar for dollar, the Federal resources devoted to their programs. These States, as a rule, employ more compliance officers than would be possible for Federal OSHA to employ. Proportionately more inspections are conducted as a result. In addition the States extend their coverage to State and local government employees and provide multi-faceted voluntary compliance programs. Although the States employ their own administrative and policy staffs, any resulting duplication is offset by the fact that State participation in the OSHA program makes available considerably more resources than would be possible under sole Federal responsibility.

EFFECTIVENESS OF STATE PLANS

Question: Which States have been identified in recent years as having inadequate OSHA programs, and what steps have been taken to correct deficiencies?

Answer: In recent years no State has been identified as operating an inadequate occupational safety and health program. All State programs have been operating at a level sufficient to justify suspension of concurrent Federal enforcement authority.

Plan withdrawal was initiated by the previous administration in January 1981 against the Indiana State program. That action was rescinded on March 27, 1981 due to insufficient evidence to warrant such a drastic action. The Indiana program has since been certified as having successfully completed all developmental aspects of its program, and an operational status agreement was signed attesting to the State's ability to provide safety and health protection without supplemental Federal effort. Plan withdrawal consideration against the Virginia plan was terminated for similar reasons.

HEALTH STANDARDS

Question: What progress have you made during the past year on issuing health standards?

Answer: In Fiscal Year 1983 significant progress was made on a number of health standards actions. In November 1982, OSHA amended that section of the lead standard which required the use of quantitative fit testing of respirators to allow certain forms of qualitative fit testing. On December 10, 1982, the agency promulgated a standard governing the use of personal sampling devices on employees during inspections. On January 14, 1983, a final determination was issued regarding significant risk for the inorganic arsenic standard. OSHA also issued an amended interpretive rule for coal tar pitch volatiles on January 21, 1983 and a final hearing conservation amendment to the noise standard on March 8, 1983.

An advance notice of proposed rulemaking (ANPR) governing methods of compliance was issued on February 22, 1983 and on September 20, 1983. an ANPR for the chemical, 4,4'-methylenedianiline. OSHA issued proposed standards for ethylene oxide on April 21, 1983 and for cotton dust on June 10, 1983. On July 8, 1983, the agency issued an ANPR for benzene.

OSHA STANDARDS

Question: What progress do you anticipate making during the coming year in this area?

Answer: A number of health standards actions have already been completed. A final rule on hazard communication was published on November 23, 1983, and an emergency temporary standard for asbestos on November 4, 1983. OSHA issued proposed standards for ethylene dibromide on October 7, 1983, and field sanitation on March 1, 1984. In addition, it is anticipated that a second proposal on asbestos and proposed standards for benzene, respiratory protection, lead and exposure to toxic chemicals in laboratories will be published during the remainder of FY 1984. Final rules to be promulgated in FY 1984 will include such issues as cotton dust, access to employee exposure and medical records, ethylene dibromide, ethylene oxide and asbestos.

Subsequent to the development of the budget request, the workload projections for both health and safety standards have been revised. Following is the most current projection for standards activities:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
HEALTH STANDARDS			
Notices of proposed rules	5	9	5
Final rules	5	7	8
SAFETY STANDARDS			
Notices of proposed rules	2	12	7
Final rules	2	5	12

WORKERS' "RIGHT TO KNOW" STANDARD

Question: OSHA's new "health hazard communication" standard, or workers' "right-to-know" standard preempts existing state "right-to-know" laws, including those that are more stringent than the OSHA standard. What can be done to protect workers not covered by OSHA's standard?

Answer: In at least a limited fashion, OSHA's hazard communication standard covers all workers since labels are required on all containers shipped in commerce. These labels will serve as a warning to employees that the chemicals are hazardous. Although material safety data sheets are not required except for the manufacturing sector, these sheets will be generated for each hazardous chemical, thus assuring increased availability for all employees.

The hazard communication standard was designed to protect those employees experiencing the greatest risk of exposure to workplace chemical hazards. Based on information in the public record and discussed extensively in the preamble to the final rule, OSHA determined it to be appropriate to limit the scope and application of the standard to the manufacturing industry sector. While acknowledging that exposures to hazardous chemicals are occurring in other industries as well, OSHA exercised its discretion to establish rulemaking priorities in determining to regulate first industries with the greatest demonstrated need. The standard will be reexamined periodically and expanded if additional protection is necessary and appropriate.

Question: What can be done to protect against hazards not covered by OSHA's standard?

Answer: The criteria for determining whether a chemical is hazardous and thus subject to the hazard communication standard are very broad. Under the standard, a chemical is considered a health hazard if the results of one study, conducted according to scientific principles, show statistically significant results of potential adverse health effects. All chemicals are required to be evaluated against these criteria.

OSHA's list of toxic chemical standards and the American Conference of Governmental Industrial Hygienists threshold limit values listing are intended to define a "floor" or a minimum number of chemicals that can be assumed to be hazardous without further evaluation. Further, any chemical which is listed by the National Toxicology Program or the International Agency for Research on Cancer as a suspected or confirmed carcinogen is also to be treated as a potential carcinogen under this standard. Chemical manufacturers and importers are still required to evaluate all chemicals they produce or import to determine whether they are hazardous. If a chemical can be determined to be a "health hazard" in accordance with the standard's definition, it is covered by this regulation.

Questions Submitted by Senator William Proxmire

ETHYLENE OXIDE

Question: Is it true that the National Institute for Occupational Safety and Health urged the adoption of a short-term limit for ethylene oxide?

Answer: The National Institute for Occupational Safety and Health has recommended that OSHA adopt a 5 ppm ceiling limit (or short-term exposure limit) for exposure to ethylene oxide. NIOSH has also recommended that such exposure not exceed ten minutes in any working day.

Question: Has a rule setting a short-term limit for ethylene oxide been adopted by OSHA?

Answer: OSHA is currently engaged in rulemaking on ethylene oxide. Although a short-term exposure limit was not proposed by the agency, if evidence in the public record demonstrates and supports a need for a short-term exposure limit, then one will be promulgated in the final standard.

FEDERAL WORKPLACE INJURIES

Question: An article by Leonard Curry that appeared in the Washington Times last June indicated that OSHA was spearheading an effort to reduce injuries occurring at hazardous Federal worksites. Can you give us a progress report?

Answer: In the latter part of FY 1983, OSHA issued instructions to begin conducting inspections in Federal agencies in response to complaints of imminent danger and formal signed complaints. Nonformal complaints are responded to by letter with follow-up inspections if deemed necessary. OSHA has also begun to investigate fatal and catastropic accidents when deemed appropriate. In addition, each Federal agency has been assigned individual objectives for fiscal years 1984 through 1988 to achieve the President's goal of a three percent reduction for workers' compensation injury claims.

OSHA has implemented a targeting system for Federal agencies similar to that used in the private sector. For fiscal year 1984, 175 individual installations with a higher than average incidence of lost time injuries have been targeted. Of these, 128 will be inspected by OSHA and 47 will be provided assistance in carrying out that agency's action plan to reduce workers' compensation claims for injuries. Thus far in fiscal year 1984, the ratio of health inspections to safety inspections is running three to one, largely due to complaints and requests for assistance regarding health issues such as asbestos.

Question: The article indicated that the Federal government was the nation's second most dangerous employer, that on-the-job injuries at major Federal agencies have risen sharply and that Federal workers' compensation per capita is the nation's highest, running 25 percent higher than outlays for workers in the private sector. Why hasn't the Federal government been able to do a better job of minding its own store?

Answer: Little or no effort was made by previous administrations to communicate to the management of Federal agencies the true costs and accountability for job related injuries. When the President's Task Force on workers' compensation began its work, the Department of Labor's Employment Standards Administration, OSHA, and the major Federal agencies began to work together to provide the means for solving these problems. Progress is being made and greater progress will be evident as the various programs have time to take effect.

With respect to the goals established for the reductions in Federal workers' compensation injury claims, the Federal government as a whole is five percent below its first quarter goal for fiscal year 1984. The U.S. Postal Service is three percent below its first quarter goal, and the 14 agency group referred to in Mr. Curry's article is over five percent below its first quarter goal.

Questions Submitted by Senator Alfonse D'Amato

RESCISSION REQUEST

Question: Why has the Administration requested a rescission of $1.7 million, intended to fund one additional State OSHA plan, which was included in the FY '84 appropriations for OSHA?

Answer: The President's FY 1984 budget request did not contain requests for program increases for either existing State plans or for any new State plans. No State was seeking approval for a State plan to assume responsibility over any area for which OSHA has jurisdiction. New York has sought approval and funding for a State plan limited in scope to its own State and local government employees. Because New York has been and is now administering its program utilizing only State funds, OSHA's approval and 50 percent funding of the program would simply shift half of the State's costs to the Federal government without establishing additional employee protections or diminishing Federal enforcement resource requirements. For these reasons, the additional $1.7 million included in OSHA's FY 1984 appropriation was considered to be an inappropriate use of scarce Federal resources and, therefore, a rescission was requested.

PUBLIC EMPLOYEE PLANS

Question: Is it OSHA's policy to encourage States to safeguard their public employees by setting up State OSHA plans? Is it beneficial to Federal OSHA to have States assume this function in an approved manner?

Answer: OSHA's regulations establishing the basis for public-employee-only plans were promulgated in 1977, when such plans were actively encouraged for States which did not administer programs covering both the private and public sectors. It certainly is OSHA's policy and desire to encourage States to assume their responsibility to protect the safety and health of their State and local government employees. However, the realities of the Federal budget prevent the funding of new State plans, which involve only a Federal assumption of state responsibilities with no corresponding state commitment to assist the Federal government's effort to protect state residents employed in the private sector.

STATE PLANS

Question: How many jurisdictions are currently operating OSHA plans for public employees only? Which jurisdictions are they and do they receive 50 percent federal funding?

Answer: Only the State of Connecticut is currently operating a public employee only plan. That plan receives 50 percent of its funding from Federal OSHA.

Question: How many jurisdictions operate plans which include both private and public employees or plans which only cover private employees? Which jurisdictions are they and do they receive 50 percent federal funding?

Answer: Twenty-three plans cover both the private and public sectors as required by Section 18(c)(6) of the Occupational Safety and Health Act and receive 50 percent Federal funding. The States operating approved State plans are:

Alaska
Arizona
California
Hawaii
Indiana
Iowa
Kentucky
Maryland
Michigan
Minnesota
Nevada
New Mexico
North Carolina
Oregon
Puerto Rico
South Carolina
Tennesse
Utah
Vermont
Virgin Islands
Virginia
Washington
Wyoming

NEW YORK STATE PUBLIC EMPLOYEE PLAN

Question: New York State began operating a State OSHA plan for public employees in 1981. Its plan is designed to provide essential protection from on the job hazards for at least one million public workers. However, lack of federal funding has forced the State to make cutbacks in the program. The OSH Act permits jurisdictions to set up the type of plan which New York State currently runs and provides that approved plans are eligible for 50 percent federal funding. The New York State Labor Department has been in touch with Federal OSHA many times concerning its application for funding and has been told that approval was being delayed until funds were available. Now that Congress has responded by appropriating the necessary funds, OSHA does not want to spend them. Why has a rescission of these funds been requested when OSHA previously indicated to New York State that lack of funding was the only obstacle to plan approval?

Answer: The decision to request a rescission reflected the Administrations's determination that the approval and funding of such a plan would be an inappropriate use of scarce Federal resources since it would merely underwrite an ongoing, State-funded program. No additional employee protections would be created, nor would Federal enforcement resource requirements be diminished as occurs when a State assumes responsibility for both private and public sector coverage.

Question: It is my understanding that OSHA has indicated to the New York State Labor Department that, if the rescission request is not approved by Congress, it is prepared to approve and fund the New York State plan for the rest of FY 1984. What arrangements will be made for continuing the funding in FY 1985? If none, why not?

Answer: The President's FY 1985 budget presented a balanced, consistent approach to Federal responsibilities in the occupational safety and health area. No financing was included to subsidize New York's public employee program in either 1984 or 1985. If the Congress should not enact the requested rescission and New York submits an approvable plan, financing that plan within the 1985 budget request would be accomplished by reducing other activities which are recognized federal responsibilities.

FUNDING OF STATE PLANS

Question: OSHA's own policy and regulation, Part 1956, specifically encourage States to submit plans to the Secretary for approval. Why would OSHA decline to fund such programs in years subsequent to that in which initial approval was given?

Answer: OSHA would not decline to fund a State program in years subsequent to its initial approval without good cause. Rather, if additional funding were not made available either the funding for all existing State programs would have to be proportionately reduced and/or the Federal enforcement effort would be reduced through the necessary reprogramming of funds. The appropriations language contained in OSHA's budget since FY 1982 makes funding of approved plans mandatory and likewise establishes the principle that States need spend no more than a share equal to the Federal commitment. ("... which shall be the maximum amount available for grants to States under section 23(g) of the OSH Act, which grants shall be no less than 50 percent of the costs of State occupational safety and health programs required to be incurred under plans approved by the Secretary under Section 18...." Emphasis added). Thus any reduction in funding for an individual State plan potentially results in a parallel reduction in State funding.

MINE SAFETY AND HEALTH ADMINISTRATION

STATEMENT OF DAVID A. ZEGEER, ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH

ACCOMPANIED BY:

THOMAS J. SHEPICH, DEPUTY ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH

JOHN A. STOCKMAN, CHIEF, BUDGET BRANCH, DIVISION OF BUDGET AND FINANCE, OFFICE OF ADMINISTRATION AND MANAGEMENT, DEPARTMENT OF LABOR

PREPARED STATEMENT

Senator WEICKER. Our final witness this morning is David Zegeer, the Assistant Secretary of Labor for Mine Safety and Health.

Good morning. Please introduce those who appear with you and proceed as you wish. Your statement in its entirety will be placed in the record.

[The statement follows:]

STATEMENT OF DAVID A. ZEGEER

I am pleased to appear before you to present the 1985 appropriation request for the Mine Safety and Health Administration.

Our request for fiscal year 1985 totals $150,550,000 and 3,115 positions to conduct mine safety and health activities. This is a decrease of $847 thousand and 156 positions from 1984. These reductions are based in part on more efficient utilization of resources and in part on the reduced number of operating mines requiring inspections.

Before I explain MSHA's budget request for fiscal year 1985, I would like to briefly outline MSHA's responsibilities for mine safety and health and to discuss my philosophy of how best to execute those duties.

I fully support the Administration's philosophy of complementing enforcement activities with cooperative efforts of management, labor, and government. Record low numbers of fatalities and injuries in mining and mining-related activities have been achieved during the last two years while operating under this policy. I look forward to continuing it. In my view, the Mine Safety and Health Administration has responsibilities not only for monitoring mining activities to ensure their compliance with the law, but also, for developing and conducting other activities which will result in improved safety and health for everyone involved. The Agency must therefore continue to focus on its additional roles of technical and educational assistance, working with labor, management and state agencies to develop ways of motivating all members of the mining community to commit themselves totally to a safe and healthy working environment.

In this regard, we continue to oppose the prohibition for expending or obligating funds to carry out the training provisions at certain nonmetal mining operations as we believe that education and training is an integral part of an effective safety and health program. By exercising these responsibilities and promoting a cooperative effort among management, labor, and government we can better identify and solve problems with which we are faced before they result in accidents.

I am committed to further reducing accidents, deaths, injuries, and illnesses in the mining industry. During my mining experience I have observed the need for improved educational training, safe and reliable equipment, and the best engineering and technology that is available for safety and health in the often hostile and ever changing mining environment. The mining community has made impressive gains in each of these areas, but much remains to be done. For these reasons MSHA must continue to look beyond its enforcement responsibilities in order to effectively assist the mining community in reducing the accident and injury rates.

I support President Reagan's commitment to improve the efficiency of Government and reduce unnecessary burdens on industry as well as improve health and safety. This involves a comprehensive review of MSHA's policies, regulations, and statute. The review involves all concerned parties: labor, industry and others. This cooperative effort will be one of my major goals.

Presently, MSHA has an ambitious regulatory review effort underway. This includes a review of all metal and nonmetal safety and health standards, a review of the safety standards for underground coal mining and an alternative program for equipment approvals. In order to assure this review is as effective as possible, MSHA has developed a priority review list based on comments solicited and received from interested parties.

The purpose of this regulatory review process is to provide the mining industry with an effective set of standards that protect miners, that are clear and easy to work with, and that avoid burdening the mining industry with requirements that do nothing to improve miners' health and safety.

Enforcement

A total of $105.3 million and 2,429 positions is requested for enforcement activities in both coal and metal/nonmetal mines. This is a reduction of $1.2 million and 134 positions from 1984 and is related primarily to the reduced number of mines requiring inspections. The resources requested for 1985 will provide for an estimated 31,147 regular health and safety inspections. In addition to these inspections, 74,890 other follow-up inspections, investigations and education and training activities will be conducted to assure that violations against health and safety standards cited during the regular inspections are corrected and that mines are operated in a safe and healthful manner.

The Coal Mine Safety and Health program will complete an estimated 14,600 regular inspections of underground and surface mines in 1985. This is an increase of 400 inspections over 1984 due to the projected opening of 125 mines. A total of 66,350 other inspections and investigations will also be conducted.

During 1984 and 1985, the Coal activity will continue its Non-Fatal Days Lost accident reduction program to concentrate on problem mines. Under this program, mines with high injury incidence rates are assigned MSHA specialists to work with mine management, miners, and miners' representatives in analyzing work procedures, training programs, mining techniques, and past accidents to determine where improvements can be made. Experience to date shows significant reductions in overall injury rates at the targeted mines. The affected mining community enthusiastically supports this effort by MSHA.

The Metal and Nonmetal Mine Safety and Health activity will complete an estimated 16,547 regular inspections in both 1984 and 1985. An estimated 8,540 other inspections will be conducted in both years.

The Metal and Nonmetal program activity will continue its Compliance Assistance Visits (CAVs) and Program in Accident Reduction (PAR) in 1984 and 1985. Both programs have proven to be highly successful. CAVs are widely accepted throughout the metal and nonmetal mining industry and the PAR program is increasingly effective in reducing lost time and disabling injuries.

During 1984 and extending into 1985, a review of all metal and nonmetal standards will be continued to determine their overall and

individual adequacy and effectiveness and key regulatory reform actions will be undertaken. Additionally, MSHA will complete rulemaking on a regulatory reform initiative which will include an optional third party certification program for the approval of certain equipment used in underground mines. MSHA will also continue the review of the underground coal safety standards.

Assessments

A total of $1.9 million and 62 positions is requested for the Assessments program for Fiscal Year 1985. This is a reduction of $214 thousand and ten positions from 1984. This reduction reflects more efficient utilization of resources.

In both 1984 and 1985 the Assessments activity will continue to assess civil monetary penalties for all violations of the Mine Act in a timely manner, to process civil penalty cases, and to collect and account for all penalties paid.

Improvements in debt collection of civil monetary penalties will be stressed in both 1984 and 1985 to increase the effectiveness of the Assessments program.

During 1984 and 1985 MSHA will continue to operate under new assessment regulations issued during 1982. These regulations established a system of fixed single penalties of $20 for violations of health and safety rules for non-serious violations, excluded from the operator's history of violations those assessed the minimum penalty and those contested, awarded greater "good faith" credit for timely efforts to correct violations and included separate point scales for independent contractors in the penalty point system.

Educational Policy and Development

A total of $12.2 million and 105 positions is requested for Educational Policy and Development in fiscal year 1985. The increase of $158 thousand over 1984 primarily reflects an increase in the State Grants program needed to cover inflation. The two position decrease from 1984 reflects increased efficiency of operations resulting from management initiatives.

A total of $5.7 million is included for the State Grants program in 1985 for 42 participating states.

Technical Support

A total of $18.4 million and 351 positions is requested for Technical Support activities in 1985. This is an increase of $54 thousand over 1984.

Consolidation of the approval and certification program to the new Dallas Pike facility will be completed this spring. Due to previous space limitations, segments of the approval and certification program operated at three different locations. The consolidation of the approval and certification of mine equipment, instruments, materials, explosives, and personal protective apparatus will improve the efficiency of operations and provide the special purpose laboratories necessary to respond to the technological changes occurring in the mining and mineral industry.

Program Administration

A total of $12.6 million and 168 positions is requested for Program Administration, a decrease of 10 positions and an increase of $330 thousand from 1984. This change is a result of savings from the more efficient utilization of resources offset by an increase for contractual services to assist MSHA in the planning for a major upgrading of computer equipment.

Included in the 1985 request are funds for the orderly replacement of 119 MSHA-owned motor vehicles which will meet GSA standards for replacement in 1985.

Conclusion

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to answer any questions you have.

Biography of David A. Zegeer

David A. Zegeer was confirmed as Assistant Secretary of Labor for Mine Safety and Health on November 18, 1983. Prior to his appointment, he operated a consulting business and served on the National Academy of Sciences' Committee on Underground Coal Mine Safety. He retired in 1977 as manager of Beth-Elkhorn Corporation, a subsidiary of Bethlehem Steel, for whom he worked for over twenty years. Prior to that he served in successively responsible positions with Consolidation Coal progressing from surveyor to assistant to the president.

Mr. Zegeer was born in Charleston, West Virginia. He received his bachelor's degree in mining engineering from the West Virginia University School of Mines in 1944, and spent two years in the U.S. Army Engineers.

Mr. Zegeer has been active in many industry and professional organizations including the Kentucky Mining Institute, the Kentucky Coal Association, the National Mine Rescue Association, the Mine Inspectors' Institute of America, the Coal Mining Institute of America, the American Mining Congress, the National Society of Professional Engineers, and the society of Mining Engineers (AIME). He is the author of numerous publications on mining.

In addition to awards from professional societies, Mr. Zegeer in 1976 received the Donald S. Kingery Award, given annually by MSHA to a member of industry for outstanding achievements in safety and health. In 1982, Mr. Zegeer received the Professional Award for Coal Mine Health, Safety and Research at the 13th Annual Institute on Coal Mining Health, Safety and Research, Virginia Polytechnic Institute and State University.

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DEPARTMENT OF LABOR

Agency: Mine Safety and Health Administration

Appropriation: Salaries and Expenses

Activity	1983 Enacted Pos.	1983 Enacted Amount	1984 Request Pos.	1984 Request Amount	1984 Appropriation Pos.	1984 Appropriation Amount	1984 Revised Request Pos.	1984 Revised Request Amount	1985 Estimate Pos.	1985 Estimate Amount
Enforcement:										
Coal.....	1,974	$74,674,000	1,845	$73,987,000	1,895	$75,650,000	1,895	$76,455,000	1,796	$75,130,000
Metal/Nonmetal.	688	29,064,000	621	28,337,000	649	29,468,000	649	29,110,000	614	29,245,000
Standards.....	19	998,000	19	1,012,000	19	1,010,000	19	913,000	19	928,000
Assessments.....	72	2,510,000	63	2,193,000	72	2,484,000	72	2,115,000	62	1,901,000
Educational policy and development....	110	12,474,000	107	12,169,000	107	12,163,000	107	12,140,000	105	12,298,000
Technical support.....	361	18,710,000	351	17,824,000	351	17,775,000	351	18,358,000	351	18,412,000
Program administration.....	184	13,905,000	178	12,510,000	178	12,847,000	178	12,306,000	168	12,636,000
Total.....	3,408	152,335,000	3,184	148,032,000	3,271	151,397,000	3,271	151,397,000	3,115	150,550,000
Federal Funds..	3,408	152,335,000	3,184	148,032,000	3,271	151,397,000	3,271	151,397,000	3,115	150,550,000
Trust Funds....	--	--	--	--	--	--	--	--	--	--

BUDGET REQUEST

Mr. ZEGEER. Mr. Chairman, my name is David Zegeer. I am the Assistant Secretary for MSHA, Department of Labor. I have on my left, the Deputy Assistant Secretary, Tom Shepich, and on his left, Mr. John Stockman, who is the Budget Officer for MSHA.

We have a short prepared statement if I may read it, Mr. Chairman.

Mr. Chairman, members of the subcommittee:

I am pleased to appear before you to present the 1985 appropriation request for the Mine Safety and Health Administration.

Our request for fiscal year 1985 totals $150,550,000 and 3,115 positions to conduct mine safety and health activities.

I would like to briefly outline MSHA's responsibilities for mine safety and health and to discuss my philosophy of how best to execute those duties. I fully support the administration's philosophy of complementing enforcement activities with the cooperative efforts of management, labor, and Government.

A record low number of fatalities and injuries in mining and mining-related activities has been achieved during the past 2 years while operating under this policy. I look forward to continuing it. In my view, the Mine Safety and Health Administration has responsibility not only for monitoring mining activities to insure their compliance with the law, but also for developing and conducting other activities which will result in improved safety and health for everyone involved.

The agency must continue, therefore, to focus on its additional roles of technical and educational assistance, working with labor, management, and State agencies to develop ways of motivating all members of the mining community to commit themselves totally to a safe and healthy working environment.

By exercising these responsibilities and promoting a cooperative effort, we can better identify and solve problems with which we are faced before they result in accidents.

I am committed to further reducing accidents, death, injuries, and illnesses in the mining industry. During my mining experience I have observed the need for improved educational training, safe and reliable equipment, and the best engineering and technology that is available for safety and health in the often hostile and ever-changing mining environment. The mining community has made impressive gains in each of these areas, but much remains to be done. For these reasons, MSHA must continue to look beyond its enforcement responsibilities in order to effectively assist the mining communities in reducing accident and injury rates.

I support President Reagan's commitment to improve the efficiency of Government and reduce unnecessary burdens on industry, as well as improve health and safety. This involves a comprehensive review of MSHA's policies, regulations, and statute. The review involves all concerned parties, that is, labor, industry, and many others. This cooperative effort will be one of my major goals.

The purpose of this regulatory review process is to provide the mining industry with an effective set of standards that protect miners, that are clear and easy to work with, and that avoid burdening the mining industry with requirements that do nothing to improve miners' health and safety.

In summary, the goal of the Mine Safety and Health Administration in fiscal year 1985 is to protect the Nation's miners by applying our resources where they will result in the greatest improvement to safety and health.

Mr. Chairman, Senator Proxmire, that concludes my statement. I would welcome the opportunity to respond to any questions you might have.

RELATIONSHIP OF FATALITIES TO THE ECONOMY

Senator PROXMIRE. Very good, sir. In the absence of the chairman, let me proceed.

As I understand it, fatalities can result from any number of factors, including the economy. Obviously, when the economy is doing badly, when things are slack, not as many miners are employed, mines are not worked as hard, and fatalities might be expected to be somewhat less. Isn't that the case?

Mr. ZEGEER. Well, sir, I served 2 years with the National Academy of Sciences studying a lot of the questions that you just raised. This area is of great interest to everybody in the mining community. A committee of 12 people from labor, industry, legal, medical, and so forth was formed to study mining injuries. The result of that 2-year study, which has been very well accepted by almost everybody in the mining community, showed that injuries in the mining environment can be minimized or eliminated by three things—and this was the meat of the whole question of safety in an underground mine:

First, you must have the commitment of management;

Second, you must have a cooperative spirit between management and labor working toward the same goal; and

Third, you must have a continuous, ongoing training and educational process which emphasizes constant vigilance to keep people sensitive to the hazards of the environment.

Now as far as the economy is concerned—and this is an interesting point that came out of our study, is that those mining operations which were the most productive, that is, produced the most with a certain normal number of people—the ones that were the most efficient—were the ones that had the safest operations. And that is a byline that a lot of companies use, that production and safety go together, and it is very difficult to separate the two.

These were some of the results that came out of the 2-year study made by the National Academy of Sciences.

FATALITY RATES

Senator PROXMIRE. It stands to reason that one way of eliminating injuries is to close mines. Obviously, when you have a mine closed, you are not going to have injuries in that mine, and when the economy is slack, marginal mines are likely to be closed.

At any rate, according to an article that appeared in the November 1983, issue of the "American Journal of Public Health," fatality rates for both surface and underground coal mines have been increasing since 1979. Although those rates began to fall in 1969, following passage of the Federal Coal Mine Health and Safety Act, they began to increase in 1979, and the article says that based on preliminary data for 1981 and 1982, the rise continued in those years. The authors argue that the rise in fatalities is linked to a reduction in the number of mine inspectors and a change in enforcement policies. They suggest that careful regulatory enforcement is warranted.

I understand that the most recent data show a decline in fatalities but that decline may be related to the economy.

My question to you is whether or not, in your judgment, that observation is correct? Was the reduction in the number of mine inspectors and change in enforcement policies related to the increase in fatalities?

Mr. ZEGEER. I have read the article to which you are referring, sir. In 1983, this past year, we had 70 fatalities in the coal industry, which were 70 too many. Our ultimate goal is, of course, zero fatalities in the industry, and it has to be our goal. That, measured with the hours of exposure by the employees, gave us what is called a frequency rate of 0.04.

Senator PROXMIRE. Can you give me the figures for 1979, 1980, 1981, and 1982?

Mr. ZEGEER. The rate in 1983 was 0.04; 1982 was 0.06; the year before was 0.07; and 1980 was 0.06; and 0.06 in 1979 and 0.05 in the year before that. So it went 0.05, 0.06, 0.06, 0.07, 0.06, and then this past year, 0.04.

Now that is the fatalities per 200,000 employee hours worked.

Senator PROXMIRE. So fatalities did go up after 1979. There had been a downturn in the previous years, but it went up at that point.

Mr. ZEGEER. It went up from 1978 to 1979, leveled off from 1979 to 1980, and it went from 0.06 in 1980 to 0.07 in 1981, down to 0.06 in 1982 and down to 0.04 last year.

Those are the figures.

FATALITY RATES AND THE ECONOMY

Senator PROXMIRE. Well, does it make any sense to you to argue that because 1982 was a recession year you would expect fatalities to decrease? The mining economy was a little better in 1983 but not a lot better?

Mr. ZEGEER. Well, sir, the rate is measured by the hours of work and the number of fatalities, regardless of the number of people on the payroll. It's hours of exposure.

Senator PROXMIRE. Well, that's right, but isn't there a tendency in a period of prosperity, to work mines that are more marginal and perhaps not as safe? Doesn't that make sense?

Mr. ZEGEER. Would you ask me again, sir?

Senator PROXMIRE. Wouldn't there be a tendency, when there is an increased demand for coal or whatever other minerals you are mining, to work mines that are more marginal and perhaps less safe? On the other hand, in periods of slack business, you would work the most productive mines, where, obviously, you would have all kinds of advantages, including advantages affecting miners' health and safety?

Mr. ZEGEER. I see your point. If I remember the figures in 1983, there was a reduction in bituminous coal production of 5.5 percent. In 1983, as compared to 1982, there was a reduction of 52 fatal accidents.

I don't think you can connect the two. I think, as far as mine safety is concerned, three things are involved: One is—first, you must have a well-engineered operation. That is, the proper type of equipment, proper type of projections, construction, and so forth.

Second, you must have a well-educated work force, that is, one trained in the hazards and the hostility of the environment. And then, third, the point you are making, and I would agree with this—is the enforcement of what they know to do. And this is where we contribute along with being sure that the people use good safe work practices and habits. These are the things that we are centering on in the furthering of education and training, working with State grants programs, helping the various States implement what they are doing, and working with the people to reduce accidents.

FATALITY RATES AND REGULATORY POLICIES

Senator PROXMIRE. All right. For the record, would you respond to the allegations in the article I referred to a little more thoroughly?

Mr. ZEGEER. Well, I read the article. It was interesting to read it. There are things in there with which I don't necessarily agree. I can review it and then submit a response for the record; yes, sir.

[The information follows:]

RESPONSE TO "AMERICAN JOURNAL OF PUBLIC HEALTH" ARTICLE

I strongly disagree with the authors' conclusions. The Mine Safety and Health Administration has found no evidence that would suggest a link between reductions in the number of Federal coal mine inspectors and an increased risk of fatal injury among coal miners. Moreover, our data show that fatality rates in coal mining have steadily declined to a record low level in recent years. Please allow me to set the record straight.

If one sets aside the theoretical and complex statistical model employed by the authors, and instead looks at realities of coal mine safety as measured by the fatal incidence rates for coal mining in the last 3 years, a continuous improvement is apparent. The fatal incidence rate in 1981 was 0.07 per 200,000 employee hours; in 1982 it dropped to 0.06, and last year it fell further to 0.04. If we look only at the fatality rate among bituminous coal miners, the subject of the article, we see a corresponding decline: from 0.08 in 1981, to 0.06 in 1982, and 0.04 in 1983.

I would also point out that last year's fatality rates for all coal mining and bituminous coal mining were the lowest ever recorded. Simply put, these figures refute the

authors' claim that "* * * current policies have increased the risk of death for coal miners * * *." On the contrary, we feel that our balanced safety and health approach, which combines enforcement with education and engineering is helping the coal mining community to reduce injuries and illnesses.

I vigorously take issue with the authors' claim that there has been a "relaxation" in MSHA's enforcement activity. At present, MSHA has more coal mine inspectors per mine than at any time in the last 5 years, and this will remain true even with the position reductions requested in our 1985 budget proposal. We will continue to be able to make virtually all coal mine inspections called for in the 1977 act.

The changes made in our safety and health programs, which have brought an increased emphasis on training, technical consultation, and cooperative efforts, have only enhanced rather than diminished our traditional enforcement role. If it has had any effect, we believe that this expanded approach is contributing to the improvements in safety in the coal mining industry.

In short, the rates for coal mine fatalities are continuing to improve, and so is our Federal program of mine safety and health. The record speaks for itself.

REDUCTION IN NUMBER OF MINE INSPECTORS

Senator PROXMIRE. The article refers to a reduction in the number of mine inspectors. Has there been a reduction, and if so, how many inspectors have been cut?

Mr. ZEGEER. Yes, sir. It is reduced some.

Senator WEICKER. One hundred thirty-four?

Mr. ZEGEER. We will have a reduction of 99 positions from coal of which about 63 are inspectors. But we must remember that we have about 900 fewer mines operating now than we had the year before. Still, as far as the number of inspectors for a mine or for 100 mines, we still have more inspectors per mine than ever before. So we are very sensitive to this.

Senator PROXMIRE. Thank you, Mr. Chairman.

COLLECTION OF PENALTIES

Senator WEICKER. How has contracting out with a commercial agency to collect unpaid civil penalties affected the Mine Safety and Health Administration's ability to collect the penalties assessed?

Mr. ZEGEER. From the latter part of October last year until the end of February of this year, we, through that method, collected about $341,000. This has added to our enforcement ability. Most all companies that are assessed—I would say about 85 percent—pay their fines. And the other 15 percent are the ones that we are going after, and a lot of them have had long outstanding debts that we are not turning our back on.

EXEMPTION FROM TRAINING REQUIREMENTS

Senator WEICKER. Last year, miners in sand gravel, surface stone, surface clay, collodal phosphate, and surface limestone were exempted from training requirements. How have injury and fatality rates in those categories changed since this amendment was adopted?

Mr. ZEGEER. We do not like the idea that they are exempt from training. We feel, as in any other extractive industry, that they do need

training. Up to the first 9 months of last year, that group had a frequency rate of 0.05, whereas for the same period, the coal industry had a lower rate of 0.04.

We know from reviewing the records—and every time we have an accident, all of our staff, most of whom are here, review these, looking for solutions to prevent these accidents, and we are very sensitive to the point that you raise. They too need the training, but they are exempt from it, and we wish that they had the responsibility as metal, nonmetal and coal, to have these added training requirements, because it is very important for the individual to know how to work safely. Many operators in these commodities voluntarily conduct their own training program.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are further questions that the committee has for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

TRAINING REQUIREMENTS

Question: Last year miners in sand, gravel, surface stone, surface clay, colloidal phosphate, and surface limestone were exempted from training requirements. How have injury and fatality rates in those categories changed since this amendment was adopted?

Answer: The following are the all injury and fatality incidence rates (injuries per 200,000 hours) for the years since 1978 for the surface stone, and sand and gravel industries:

All Injuries

	1978	1979	1980	1981	1982	1983
Stone	7.83	7.53	6.00	5.11	*	4.61
Sand and Gravel	5.98	5.57	4.42	3.92	*	3.45

Fatalities

	1978	1979	1980	1981	1982	1983
Stone	.07	.07	.07	.03	*	.03
Sand and Gravel	.07	.08	.05	.04	*	.07

*These industries were exempt from all enforcement provisions of the Mine Safety and Health Act from December 1981 through July 1982. Accurate data are not available.

PENALTY COLLECTION

Question: How has contracting out with a commercial agency to collect unpaid civil penalties affected the Mine Safety and Health Administration's ability to collect penalties assessed?

Answer: The Mine Safety and Health Administration believes that contracting out with a commercial agency has had a positive effect on its ability to collect penalties assessed. During the first 18 weeks of the contract, collections increased by nearly $450,000 over the same period in fiscal year 1983.

SAFETY AND HEALTH STANDARDS

Question: What are you doing to evaluate old mine safety standards and propose new ones?

Answer: MSHA has undertaken two major projects to review and revise existing safety and health standards for metal and nonmetal mines, and for coal mines.

In March 1980, MSHA published an Advance Notice of Proposed Rulemaking (ANPRM) in the Federal Register announcing its comprehensive review of metal and nonmetal mine safety and health standards, asking the public for comments on which standards needed review and in what order MSHA should review these standards. In November 1981, MSHA

published a subsequent ANPRM listing eight sections the Agency had selected for priority review. In the spring of 1982, public conferences were held to discuss issues related to the standards under review. Of the eight priority sections, MSHA then made available to the public preproposal drafts for seven sections, and will make available the draft of the eighth section shortly. This step assures early input into the rulemaking process for all affected parties and gives the Agency needed information for the development of proposed rules. Proposed rules have been published for three sections and two additional proposals will be published shortly. The Agency anticipates that final rules will be published for four sections this year.

In July 1982, the Agency announced its intention to review the safety standards for underground coal mines. The purpose of this review is to implement the goals of Executive Order 12291, the Regulatory Flexibility Act, the Paperwork Reduction Act, as well as Department of Labor initiatives regarding improving regulations. This review will also update standards to conform to state-of-the-art technology for the protection of miners. In the summer of 1983, MSHA announced the availability of preproposal drafts for three sections of these standards, and held public conferences to further elicit comment on the drafts. It is anticipated that preproposal drafts will be available this year for an additional four sections and that proposed rules will be published for six sections.

MSHA has also undertaken review of several other regulations which govern MSHA approval of certain products for use in underground mines. This approval indicates that MSHA's specifications and tests, designed to assure that a product will not present a fire, explosion, or other specific safety hazard related to use, have been met. Proposed rules for several of these sections will be published during this year.

STANDARDS FOR GASSY MINES

Question: What is the status of formal rulemaking proceedings with respect to the classification of mines as "gassy"?

Answer: On June 10, 1983, MSHA published a notice in the Federal Register announcing the availability of a preproposal draft of revisions to existing gassy mine standards for the metal and nonmetal mining industry.

In the preproposal draft, the Agency proposed to replace the existing system for classifying mines as "gassy" with a new category system. Under the new system, mines would be placed in various categories dependent upon the degree of hazard, i.e. type, amount and source of methane gas emission. Under the draft, each "gassy" mine would be required to comply with only those standards that apply to problems inherent in the mine's category.

Due to requests from the public, MSHA extended the time for commenting on the "gassy" mine preproposal draft to September 6, 1983. Comments on the preproposal draft were generally very favorable. The Agency is now in the process of developing the proposed rule and anticipates that it will be published in May 1984.

FACTORS RESULTING IN MINE SAFETY

Question: How much credit can the Mine Safety and Health Administration take for the fact that mine injuries and fatalities have fallen steadily in recent years?

Answer: Although the Mine Safety and Health Administration does believe its efforts have helped to contribute to the decrease in recent years in injuries and fatalities, it by no means claims sole credit. The reduced injury rates are the result of the commitment of all members of the mining community to a safe and healthful working environment.

RELATIONSHIP OF EMPLOYMENT TO SAFETY

Question: To what extent is the improved safety record due to the fact that when employment is down, the newer, less experienced, more accident prone workers are laid off first?

Answer: The Mine Safety and Health Administration has not conducted any studies on this subject. There are many variables which have impacted on the improved safety record of the mining industry. It is believed that the laying-off of the newer, less experienced workers is one of them. However, it is my firm belief that a commitment by all parties--management, labor, and government--to work together in developing an increased awareness of accident prevention is a more important contributor to the improved safety record.

NEW MINING TECHNIQUES AND EQUIPMENT

Question: To what extent is improved safety due to new mining techniques and equipment?

Answer: There are many variables which have impacted on the improved safety record of the mining industry. Certainly new mining techniques and equipment have been a contributing factor. In the last few years there has been a tremendous increase in new equipment such as the new technology in radio remote control systems for both continuous mining machines and longwalls, mine-wide monitoring systems and communications systems for longwalls. The application of these systems in the mining industry has expanded since the introduction of microprocessing technology. Most of these systems utilize intrinsically safe designs which are incapable of releasing enough electrical or thermal energy to cause ignition of a flammable mixture of methane and air. There have also been new mining techniques such as longwalls.

The introduction of canopies to underground mining equipment in recent years is known to have saved the lives of more than 125 miners. Automated temporary roof supports has contributed significantly to the protection of miners installing permanent roof support in underground mines.

However, because of the numerous factors involved in conducting in-mine studies to determine the extent of improved safety due to new techniques and equipment, it is difficult to attribute any improved safety solely to the introduction of new mining techniques and equipment.

The fact that there is increased awareness of accident prevention on the part of both miners and mine operators has also contributed to improved health and safety.

COMPARISON OF COAL AND METAL/NONMETAL SAFETY

Question: How does safety in metal and nonmetal mines compare with safety in coal mines at this point?

Answer: The following chart compares coal and metal/nonmetal incidence rates for fatalities and all accidents:

Fatalities

	1978	1979	1980	1981	1982	1983*
Coal	.05	.06	.06	.07	.06	.04
Metal/Nonmetal	.05	.04	.04	.03	.03	.03

All Accidents

Coal	10.05	10.31	10.03	8.92	8.35	6.97
Metal/Nonmetal	7.95	7.57	6.46	5.75	4.62	4.36

*Preliminary data

CUT IN ENFORCEMENT STAFF

Question: Your budget shows no reduction in the number of mine inspections planned for fiscal 1985, yet you are requesting a cut of 134 enforcement staff. How can you carry out all the inspections required by law with fewer staff?

Answer: Most of the 99 position reduction in the Coal program is related to reduced workload requirements. In the 1984 budget submission, MSHA projected 6,125 mines would be available for inspection. However, that estimate has been revised to 5,100 in 1984 and 5,225 in 1985, a reduction in the mine count of 1,025 and 900 respectively from the original 1984 figures. Therefore, fewer personnel are needed to complete all mandated underground and surface coal mine inspections. Additional savings will be achieved through management initiatives.

In the Metal and Nonmetal program, the 35 position reduction is possible due to a decline in the number of operating mines and the implementation of management efficiencies. MSHA projected 14,500 metal and nonmetal mines in the 1984 budget submission. However, this figure has been revised downward to 13,272 mines in the 1985 budget submission. In addition, many of the more time-consuming mines have cut back or closed down, thus shifting more of the inspectors' work to less time-consuming mines.

MANAGEMENT INITIATIVES

Question: What specific management initiatives are planned, and how many less enforcement staff do you expect to need as the result of greater efficiency?

Answer: As a result of Reform 88, the Grace Commission Report, and the Report by the Cabinet Council on Management and Administration, MSHA is initiating a number of reviews aimed at identifying areas where economies can be made at no loss of efficiency or effectiveness. Many of these are aimed at organizational changes, while others address changes in procedures and processes (i.e., contracting, consolidation of administrative responsibilities, etc.).

At the present time, MSHA has identified a savings of 31 positions as the result of greater efficiency, 18 in the Enforcement activity and 13 in the other MSHA programs.

DETERMINING MINE SITES

Question: One separate matter, how has MSHA determined the exact number of mine sites and related facilities which require MSHA oversight. Please be specific.

Answer: Mine status is tracked by MSHA through its automated management information system. All mines that are classified as producing or non-producing with men working are required to be inspected either four or two times a year depending on whether it is an underground or surface mine. The number of mines available for inspection continually fluctuates as mine status changes are reported to MSHA by mine operators and by MSHA inspection personnel.

Questions Submitted by Senator Arlen Specter

ROOF FALLS

Question: Up until now MSHA has failed to require the installation of underground roof monitors in our nation's coal mines. The Interior Department's Bureau of Mines has concluded that roof monitors are a "simple, accurate device for measuring and warning of roof sag." Roof falls are the leading cause of coal mine related deaths -- what is MSHA doing to reduce this threat?

Answer: Roof sag monitoring devices are available that will indicate roof sag, but roof sag does not necessarily mean that a roof fall is imminent. Conversely, the mine roof may fall without appreciable sag.

If MSHA should require roof sag indicators to be installed in mines, miners may have a false sense of security because they are not reliable indicators as to whether the roof will fall or not.

Considerable research has been conducted to develop devices that will predict roof failure, but none have proven reliable in a mine environment. Until a reliable device is developed, MSHA believes the best course to follow is to consider all mine roof dangerous until it is adequately supported.

Beginning in April, MSHA will initiate a National Roof Control Program aimed at reducing the number of roof fall accidents.

EXPLOSION AT GREENWICH COLLIERIES

Question: To the best of your knowledge at this point, what is the cause of the tragic explosion at the Greenwich Collieries mine in Cambria County?

Answer: What actually caused the methane explosion is yet unknown; MSHA, in cooperation with the company and union and State representatives, is conducting a thorough investigation of the tragic accident to determine the cause or causes. At the conclusion of this investigation, a report will be issued which will identify any causes found. The ultimate purpose of this activity will be to suggest changes and improvements in the practices, programs, and procedures of the mining community in our mutual goal of improving safety in our Nation's mines.

VIOLATIONS AT THE COLLIERIES MINE

Question: The Collieries mine was cited for literally hundreds of MSHA violations. Why was it allowed to remain open -- ultimately resulting in the death of three Pennsylvania coal miners?

Answer: The violations cited at the Collieries mine were not judged serious enough to warrant closing its operations. An inspection conducted two days before the explosion in a section adjacent to the one where the explosion is believed to have originated did not reveal any hazards or unusual conditions. In fact, air samples collected at various locations in the mine indicated less than 0.1 percent methane, which is well within safe levels.

NUMBER OF AUTHORIZED REPRESENTATIVES

Question: There is a direct correlation between the number of mine inspectors and the number of accidents and consequent deaths. How many authorized representatives are you proposing being funded in fiscal year 1985?

Answer: MSHA has no substantive evidence to prove a direct correlation between the number of mine inspectors and the number of accidents. The fiscal year 1985 budget proposes funding 1,236 authorized representatives in the Coal program.

An authorized representative is an MSHA employee authorized by the Department of Labor and MSHA for the purpose of making inspections or investigations under Section 103 of the Federal Mine Safety and Health Act of 1977. Examples of who might be authorized representatives are inspectors, supervisory inspectors, subdistrict and district managers, mining engineers, special investigators, and safety and health specialists.

RELATIONSHIP OF ECONOMIC RECOVERY AND AUTHORIZED REPRESENTATIVES

Question: If this is a decrease because of the fewer number of mines to inspect, with the current economic recovery how can you anticipate anything but a greater need for these authorized representatives?

Answer: MSHA projects the number of authorized representatives based on the projected number of mines that will be available for

inspection. In the 1984 budget submission, MSHA projected 6,125 mines would be available for inspection. As a result, at the end of fiscal year 1982, MSHA hired 200 coal mine inspectors. However, that estimate has been revised to 5,100 mines in fiscal year 1984 and 5,225 in fiscal year 1985. Therefore, even though MSHA's submission reflects the recovery, fewer personnel will be needed to complete all mandated underground and surface coal mine inspections.

AUTHORIZED REPRESENTATIVES

Question: The number of Authorized Representatives for which you budget indicates only a ceiling. How close do you keep the number of inspectors toward this ceiling?

Answer: The number of inspector positions fluctuates as changes occur in the mining industry; and MSHA continually adjusts its inspector levels as situations change. Against the established level of inspectors, there is always a lapse factor due to turnover and the time required to recruit and hire new personel.

EXPERTISE OF INSPECTION FORCE

Question: What are you doing to ensure that we continue to have an expert and adequate inspection force?

Answer: MSHA requires a minimum five years mining experience to qualify for an inspector position. Once hired, 13 weeks of intensive structured training is provided at the National Mine Health and Safety Academy along with on the job training for the first year. Thereafter, two weeks of formal retraining is required at least every three years and on-site training as needed.

Questions Submitted by Senator Robert C. Byrd

MOUNTAIN BUMPS MEETING

Question: Last year, in less than two months, there were three fatalities and four non-fatal accidents involving West Virginians as a result of mountain bumps.

I wrote to you, Mr. Zegeer, last December, with regard to the phenomenon of mountain bumps, and you advised that MSHA was working with the Bureau of Mines, and that a meeting was tentatively scheduled to be held in February at the National Mine Health and Safety Academy to review the problem and to discuss possible research approaches. Was this meeting held? Who attended this meeting?

Answer: A Tri-State Mountain Bump Workshop was held at Princeton, West Virginia, on March 7-8, 1984. Over one hundred persons attended this workshop. The workshop was sponsored by the Logan Coal Operators' Association in participation with the Kentucky Department of Mines and Minerals, the Virginia Department of Labor and Industry, the West Virginia Department of Mines, the Bureau of Mines, and the Mine Safety and Health Administration.

MEETING RESULTS

Question: Your January 16 response promised that you would be apprising me of the result of that meeting. Inasmuch as I have not, as yet, received that report, I wonder if you could provide me with some information on the outcome of that meeting and indicate whether you developed a plan of action to look into the causes and prevention of mountain bumps?

Answer: Speakers on the program included representatives from all aspects of the Industry. Topics included trends in mountain bump accidents and fatalities, case histories of recent experiences in the tri-state area, concerns of the agencies represented, and current research efforts on mountain bumps. In addition, a panel of experts was convened to discuss their experiences concerning causes and possible solutions, and what needs to be done to minimize the effects of this problem. This panel also answered questions from the audience.

From these discussions a tentative plan of action was proposed. Areas to be considered are:

--Update Bureau of Mines Bulletin 535, Coal Mine Bumps: Some Aspects of Occurrence, Cause, and Control.

--Collecting baseline microseismic data in an eastern coal mine.

--Conducting real time use of microseismic information to make in-mine decisions on bump occurrences.

--Performing in-mine studies of convergence as an indicator of a possible bump.

--Investigating pillar size, shape, strength, and failure mode relationships using state-of-the-art stress analysis techniques.

--Performing case studies correlating geology and local features with bump occurrences.

MSHA's attention will be directed at ensuring that Bureau of Mines research is applied in-mine. To minimize the occurrence of mountain bumps, MSHA's attention will also be directed at reviewing mining methods at mines prone to bumps, ensuring uniform pillar design, as well as establishing better lines of communication between the industry and other Federal agencies who are interested in protecting the safety of the miner.

ABILITY TO DETECT MOUNTAIN BUMPS

Question: Does MSHA have the ability to detect mountain bump hazards? If not, what specifically is required in terms of research and funding at this time?

Answer: MSHA, at the present, does not have the ability to detect or predict where and when a coal bump will occur. For this reason, additional research was requested from the Bureau of Mines. We understand that the tentative plan of action can be achieved within existing resources, therefore the Bureau of Mines will need no additional funding.

MITIGATING MOUNTAIN BUMPS

Question: What specifically would MSHA's role be in this endeavor? What should the Bureau of Mines be doing, and who will take the lead in the effort to mitigate the mountain bump hazard?

Answer: This would be a cooperative effort between MSHA and the Bureau of Mines. MSHA's role would be to evaluate the mining systems presently being used to mine old and new areas conducive to mountain bumps; to provide assistance on instrumenting areas to locate high stress zones to determine when measures should be applied to give stress relief; and to participate in the updating of Bulletin 535. The Bureau should be looking into the geologic structures associated with burst prone areas, instrumenting mines with microseismic systems to determine if it is possible to predict when a coal bump is going to occur. Also the Bureau should conduct convergence studies in conjunction with the microseismic study.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will now stand in recess until Tuesday, March 13, when we will hear from the Secretary of Education, Terrel Bell, on the fiscal year 1985 budget for the Department of Education.

The hearing will convene at 9 a.m. in this room.

[Whereupon, at 10:10 a.m., Thursday, March 8, the subcommittee was recessed, to reconvene at 9 a.m., Tuesday, March 13.]

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 13, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Specter, Chiles, and Burdick.

DEPARTMENT OF EDUCATION

SECRETARY OF EDUCATION

STATEMENT OF HON. T. H. BELL, SECRETARY OF EDUCATION

ACCOMPANIED BY:

GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. Good morning. The subcommittee will come to order.

Today we begin our hearings on the administration's fiscal year 1985 budget proposals for the Department of Education.

Our first witness is Secretary of Education Terrel Bell, and Secretary Bell, we want to welcome you here. We look forward to your remarks.

Your statement and those of your associates will be placed in the record in their entirety, and you may proceed in any way you wish.

Also, at the outset of the hearings I would like to announce there will be no hearings as originally scheduled for tomorrow since there is a full committee markup, and this subcommittee will not meet.

Welcome. Please proceed.

Secretary BELL. Thank you. I will just make some comments and sort of summarize, Mr. Chairman, and submit the statement for the record if that is OK.

[The statement follows:]

STATEMENT OF TERREL H. BELL

I am pleased to have the opportunity to present to you the President's 1985 budget proposals for the Department of Education. Our 1985 budget request totals $15.5 billion which, if enacted, would be the largest Federal education appropriation in history.

This budget results from a year of national focus on the issue of educational excellence. It concentrates on programs that respond directly to findings and recommendations of our National Commission on Excellence in Education and the subsequent regional and national forums. The forums enabled us to solicit the ideas and examine the experiences of parents and students, teachers, administrators, officials from all levels of government, business leaders, and other private citizens. What we learned from the forums about the national commitment to education reform and excellence has helped us to develop a budget that reflects what we can appropriately do at the Federal level to assist State and local governments to improve education services.

Budget Summary

I would now like to present to you some of the highlights of our budget. To summarize, our total request of $15.5 billion, a slight increase over our 1984 appropriation of $15.4 billion, includes:

- $7.4 billion, or 48 percent of our total budget, in addition to meeting educational needs of special student populations such as the disadvantaged and handicapped, is for priorities and problems addressed in the National Commission's Report. Of this amount, $854 million will be used for programs designed to help States and localities meet the Commission's recommendations for reform and to provide Federal leadership. The remaining $6.6 billion will be targeted on our disadvantaged and handicapped populations, whom the Report describes as "most at risk."

- $6.5 billion, or 42 percent of our total, is for our student aid programs so that we can help our neediest young persons to attend college.

- $1.6 billion, or 10 percent, is for other Federal priorities such as Vocational Education and Impact Aid.

Response to the National Commission Report

The National Commission on Excellence in Education cited many factors that would support the conclusion that we are indeed "A Nation at Risk," as the title of their report points out. For example:

- There are 23 million American adults who are functionally illiterate.

- Measures of achievement among high school students show significant declines over the past two and a half decades.

- o A disturbing number of high school students lack the "higher order" intellectual skills required for analysis, effective writing, and solving complex mathematics problems.

- o College entrance examination scores measuring verbal and mathematics aptitude have declined from a total national average of 937 in 1972 to 893 in 1982.

Our 1985 budget responds to the Commission's findings and recommendations in ways we believe the Federal Government can be most helpful.

The highlight of our response to the recommendations of the Commission on Excellence is our request of $729 million for the Chapter 2 Block Grant Program. This is a $250 million increase over 1984 to help States and local school districts develop and implement programs that meet their own needs and priorities for educational reform.

Chapter 2 block grants allow very broad discretion over the expenditure of funds and there are many ways the grants can be used to support the Commission's recommendations. For example, to address diluted and diffused curricula, the Commission recommended a strengthening of core educational content through a focus on "five new basics": English, mathematics, science, social studies, and computer science. The block grant funds could be used to assist in developing new demanding mathematics curricula, updating science courses, and exposing students to the use of computers for educational and work purposes. To give you some examples, the State of Colorado has used part of its block grant to establish 7 task forces to revamp its State curriculum requirements to respond to the Commission's recommendations. Pennsylvania used a portion of its block grant for a statewide program in technology and computer literacy in response to Governor Thornburgh's call for development of new initiatives in high technology. To encourage the development of writing skills, the State of Maine used some of its funds to support what they call "young authors' conferences," and many other States have funded writing clinics for students.

In findings and recommendations concerning expectations for students, the Commission cited a need for tighter graduation requirements, rigorous testing, and improved textbooks. While expectations for student performance can be raised without large sums of money, the increased block grant funds could encourage States and localities to require more basic courses for graduation, to devise diagnostic tests to measure achievement and improvement, and to upgrade textbooks and teaching tools. Along these lines, New York has used some of its block grant to establish a program to annually identify and upgrade the 100 schools in the State with the lowest test scores.

Expansion of time available for education in the basics either during the school day or the school year, as recommended by the Commission, could require additional funds. Other "time" improvements will not necessarily require more money. More homework, fewer administrative burdens for teachers, and stricter discipline can increase time for learning without additional money. However, school districts may want to use Chapter 2 funds for experiments in

teaching students to study more effectively or improving classroom management. For example, Chapter 2 funds are being used in Tennessee to help teachers provide individualized help to children in a program they call "Basic Skills First." In this program teachers use microcomputers, with special software, to record and monitor the progress of each student as he or she acquires the hierarchy of skills necessary to master the elementary school basics. Such a program can enable teachers to track each student's progress more closely than ever before, and can greatly increase actual teaching time by reducing the administrative burden involved in recordkeeping.

The fourth finding of the Commission concerned teaching itself. The Commission reported that teaching tends to attract the least academically able students, that teacher salaries are low and related more to longevity than performance, and that some fields -- such as mathematics and science -- have shortages of teachers while others have too many. The 1985 budget has at least three ways of addressing these findings on teaching. First, the States and localities can use their Chapter 2 funds to devise methods to attract and retain better students into teaching. Second, I will use the discretionary authority under Chapter 2 to fund some small projects that demonstrate the value of teacher incentives or pay structures that lead to master teacher or other elevated career rankings such as those found in higher education. Third, the President's proposal for Science and Mathematics Education provides $50 million to increase the number of qualified teachers in these subjects by retraining teachers from other fields.

Additionally, the National Institute of Education, with a $6 million increase to $54.2 million, together with the National Center for Education Statistics at $8.7 million, will sponsor research, dissemination, and statistical studies on using educational technology more effectively in the classroom, upgrading the current teaching force, improving high school and college level curricula, and attracting highly qualified students and others to the teaching profession. Finally, we are requesting $11.7 million for the Fund for the Improvement of Postsecondary Education. The Fund will contribute to the national effort toward excellence by supporting new projects to improve teacher education programs.

The fifth recommendation of the Commission concerned leadership and fiscal support. It underscored the primary responsibility of States and localities for financing and governing schools but recognized a role for the Federal Government. This included support for those populations identified as "most at risk" in the Commission's report -- the disadvantaged and handicapped.

For these populations, our budget includes nearly $3.5 billion for Chapter 1 compensatory educational services for about 5 million disadvantaged elementary and secondary students, $1.1 billion under P.L. 94-142 for grants to help States and localities meet the additional costs of providing special education for over 4 million handicapped children, and over $1 billion for rehabilitation services programs to help some 1 million handicapped adults attain useful and meaningful lives. We will also continue to support legislation for an optional voucher program under Chapter 1 to expand opportunities for parents of educationally deprived children to choose the schools that best meet their needs.

We are also proposing to support the same level as 1984 for several other programs in this category. As part of our Adult Literacy Initiative, we are submitting legislation for the Adult Education Act separate from Vocational Education, and will continue this program at $100 million. Bilingual Education will be continued at the level of $139.2 million, supporting services to about 219,000 limited-English-proficient children. We are proposing to redistribute Title VII funds in order to provide additional support to States and local school districts. The request for Bilingual Education is based on legislation first proposed in 1984 amending Title VII to provide State and local administrators more flexibility and control over the types of programs they can fund; focus basic grants on capacity-building rather than service activities; and target funds on projects serving children whose usual language is not English.

Also in the area of serving the disadvantaged, we will maintain the 1984 level of support for Black and other minority institutions through the Title III Institutional Aid program and the Minority Institutions Science Improvement program. The Title III program is proposed for amendment to simplify program operation and move grantees toward self-sufficiency.

Restructuring Student Aid

For student aid, the budget includes $6.5 billion, an increase of $251 million over FY 1984. The Administration is again proposing a major philosophical shift in this area: To restore the traditional responsibility of the parent and student for helping to finance the cost of a college education.

In total, about 4.5 million students, or 52 percent of the full-time equivalent postsecondary education enrollment, will continue to have available to them almost $12 billion in Department of Education-supported financial assistance. This amount includes Federal grant and Work-Study assistance, Guaranteed Student Loan capital, new loans under the Direct Loan program revolving funds, and institutional matching funds.

Student self-help will again be emphasized by conditioning the receipt of Federal grants upon a self-help expectation which is the greater of $500 or 40 percent of the cost of education. This requirement for self-help may be met from any source other than Federal grants -- including Federal Work-Study funds and Federal loans.

To help students meet the self-help expectation, our 1985 budget includes $850 million for the Work-Study program -- an increase of over 50 percent -- and projects the availability of over $7.5 billion in new GSL loan capital -- an increase of over $300 million. In addition, almost $600 million will be available for new Direct Loans from existing revolving funds.

Families will also be expected to contribute more of their discretionary income toward educational costs. Reduced taxes help in this respect, of course and we will continue our support of legislation for Education Savings Accounts, which will encourage families to save for college costs.

Under the self-help approach to student aid, it is still our overriding concern to target funds on the neediest students. To ensure that such students continue to have access to a college education, our proposal will increase the Pell Grant maximum award from $1,900 to $3,000, make awards more sensitive to education costs, and eliminate some current inequities. Approximately 80 percent of Fell Grant funds will go to students from families with adjusted incomes below $12,000, compared with 74 percent under current law.

In order to provide more flexibility to institutions to meet the needs of their individual students, other changes would allow an institution (1) to transfer up to 50 percent of its Work-Study funds to Supplemental Grants, compared with 10 percent under current law, and (2) to allow a school to use up to $100,000 of its Work-Study allocation for the administrative costs of establishing or operating Cooperative Education, Job Location and Development Centers, or adult literacy programs. Currently, institutions are limited to $25,000 which can be used only for Job Location and Development Centers.

We propose to continue to control the costs of the Guaranteed Student Loan program, which remains the single largest source of Federal student aid. Our budget includes five legislative changes which would save $221.5 million in 1985, and another $350 million over fiscal years 1986 and 1987, from the costs of current law. The greatest portion of projected savings would accrue from the return of loan advances to the now well-established guarantee agencies and from eliminating some of the cost allowances paid to these agencies in support of their administrative activities.

We are also proposing to extend the current requirement for need analysis to students from families with incomes below $30,000. These and the other savings measures will help to offset otherwise increasing costs in 1984 and 1985 and will assist in controlling costs in the outyears. We expect loan volume, however, to continue to increase moderately, helping to ensure student access and choice in postsecondary education.

Other Federal Priorities

Other priority areas of our budget include vocational education, impact aid, and our efforts to improve the efficiency and effectiveness of the Department's operations.

In addition to emphasizing the "new basics," we are placing a renewed priority on vocational education and proposing to link it closer to economic development. We are, therefore, requesting $738.5 million for vocational education, the same as the 1984 appropriation, and proposing new legislation which will target at least 30 percent of Federal monies on economic development and skilled workforce training. We would also target at least 20 percent of vocational education funds on the disadvantaged and 10 percent on the handicapped, and would continue adult education as a separate program.

For Impact Aid, a total of $506.6 million is requested primarily to make payments to those districts which enroll students whose parents both live and work on Federal property. "Super a" districts would receive payments at full entitlement, payments for "a" children in other districts would be made at about 65 percent of entitlement, and no payments for "b" children are proposed in this budget, following the expiration of the "b" authorization in 1984. This proposal continues our policy of emphasizing assistance to those school districts that are the most heavily burdened by the presence of Federal activities.

In the area of management improvements, we expect to increase the efficiency and effectiveness of the Department's operations by implementing a number of changes consistent with the President's Reform '88 initiative and the recommendations of the Grace Commission. For example:

- Full-time equivalent employment in the Department has been reduced by over 30 percent since January 1981, saving almost $70 million. We expect further reductions in FY 1985, saving an additional $5.2 million.

- Debt collection procedures have been strengthened and new regulatory and legislative changes are being proposed. The legislative changes would, for example, allow lenders to require cosigners on student loans, authorize the use of private attorneys for Federal collections action, include the educational institution as copayee on Guaranteed Student Loan checks, and require the referral of Guaranteed Student Loan default information to consumer credit bureaus.

- Collections of all education loans and other receivables were increased by 12 percent in 1983 and are projected to increase by 13 percent in 1984 and 23 percent in 1985 to $1.2 billion.

- Procedures for audit close-outs have been improved and recoveries are projected to increase over 50 percent in 1985 to $12.5 million.

- A new process for reviewing printing and audiovisual requests will save over $400,000 in 1985.

- Improved cash flow management is projected to save $8 million in 1985.

- Write-off of old dormant but unliquidated obligations will reduce outlays by over $100 million in 1985.

All of these improvements have already been reflected in the 1985 budget even though the Department has not yet been asked to respond officially to the Grace Commission Report. Most of the examples I gave are the kinds of reforms recommended by the Grace Commission that we believe can be attained without legislative changes.

In conclusion, I want to emphasize that our budget for 1985 is a responsible budget. Moreover, it reflects the President's strong commitment to excellence in our schools, and it provides an appro-

priate Federal response to the recommendations of the National Commission on Excellence in Education.

I would be happy to respond to any questions you may now have.

Biography of Terrel H. Bell

NAME	:	Terrel H. Bell
POSITION	:	Secretary of Education
BIRTHPLACE AND DATE	:	Lava Hot Springs, Idaho, November 11, 1921
FAMILY	:	Married, 4 sons
EDUCATION	:	Lava Hot Springs High School, 1940, High School Graduate Southern Idaho College of Education-Albion, 1946, B.A. University of Idaho, 1954, M.S. in Educational Administration Stanford University, 1954, Graduate Study University of Utah, 1961, Doctorate in Educational Administration (with allied field in Political Science)
EXPERIENCE	:	
PRESENT	:	Secretary, United States Department of Education
1976-1980	:	Commissioner and Chief Executive Officer, Utah System of Higher Education, Salt Lake City, Utah
1974-1976	:	U.S. Commissioner of Education, U.S. Office of Education, Department of Health, Education and Welfare, Washington, D.C.
1971-1974	:	Superintendent, Granite School District, Salt Lake City, Utah (Utah's largest school system -- 63,000 students)
1970-1971	:	Deputy Commissioner for School Systems, U.S. Office of Education (served for six months as Acting U.S. Commissioner of Education)
1963-1970	:	Utah State Superintendent of Public Instruction, Salt Lake City, Utah
1962-1963	:	Professor and Chairman, Department of Educational Administration, Utah State University, Logan, Utah
1957-1962	:	Superintendent, Weber County School District, Ogden, Utah
1955-1957	:	Superintendent, Star Valley Schools, Afton, Wyoming
1954-1955	:	Ford Foundation Fellowship in School Administration -- University of Utah and Stanford University
1947-1954	:	Superintendent, Rockland Valley Schools; Rockland, Idaho
1946-1947	:	Athletic Coach and Science Teacher, Eden Rural High School, Eden, Idaho
1942-1946	:	First Sergeant, U.S. Marines in Pacific Area (World War II)

HONORS AND AWARDS :

Secretary's Special Citation for outstanding service to HEW (from Secretary David Mathews), 1976
Secretary's Special Citation for encouraging schools and colleges to improve the quality and management of the Nation's educational enterprise (from Secretary Caspar Weinberger), 1975
Certificate of Merit of State Boards of Education, Edinboro State College, Edinboro, Pennsylvania, 1975
University of Idaho Alumni Association Hall of Fame, 1975
Honorary Doctorate of Humanities Degree, Westminster College, 1974
Gautrelet Award of Spring Hill College of Mobile, Alabama, 1974
Honor of Merit, National Federation of Urban/ Suburban School Systems, 1974
Distinguished Service Award, National Association of State Boards of Education, 1973
Secretary's Special Citation for outstanding service to HEW (from Secretary Elliot Richardson), 1971
Commissioner's Distinguished Service Award (from Commissioner Sidney P. Marland, Jr.), 1971
Outstanding Service Award, Utah School Boards Association, 1970
Honorary Doctorate of Humanities, Southern Utah State College, 1970
New Junior High School in Weber County, Utah named "T. H. Bell Junior High School", 1963

BOOKS AND PUBLICATIONS:

Active Parents' Concerns, Prentice Hall, Inc., Englewood Cliffs, New Jersey, 1974

MBO: A Performance Accountability System for School Administrators, Parker Publishing Company, West Nyack, New York, 1974

Your Child's Intellect: A Parent's Guide to Home Based Preschool Education. Olympus Publishing Company, Salt Lake City, Utah, 1972

Effective Teaching: How to Recognize and Reward Competence. Exposition Press, New York, New York, 1960

A Philosophy of Education for the Space Age. Exposition Press, New York, New York, 1960

The Prodigal Pedagogue. (a novel) Exposition Press, New York, New York, 1956

BUDGET REQUEST

Secretary BELL. Our budget for 1985 is $15,500,000,000. That is up from $15,400,000,000 in 1984. It is the largest Federal appropriation, if it is enacted, that we have had thus far.

The budget concentrates on, first of all, maintaining our commitments to the handicapped and the disadvantaged, and on maintaining our commitment to students who need assistance to attend college.

We will spend $7.4 billion, if you approve our budget, which is 48 percent of the total, on elementary and secondary education, and $6.5 billion, which is 42 percent of the total, on student aid programs at the college level, and then 10 percent, or $1.6 billion, on other Federal priorities such as vocational education and impact aid.

CHAPTER 2 INCREASE

We have proposed an increase in our chapter 2 budget, to raise it up to $729 million. The reason we did that is that this program provides broad discretion to local and State education agencies to use funds among a large number of purposes. With the recent interest in education—the nationwide concern about enhancing excellence in our schools—we wanted to provide some resources that each State and local school district could use at their discretion to meet some of these emerging needs.

Some States are raising high school graduation requirements. Some States are enacting master teacher career ladder programs. Others are moving into curriculum development. There is also a lot of emphasis upon inservice training of teachers. As we deliberated on this, we finally concluded that we ought to put our emphasis on additional funding in the chapter 2 block grant.

MATH AND SCIENCE INITIATIVE

We also continue to emphasize what the President pushed for the year before, and that is the science and mathematics program. We have a $50 million item in our budget for the math and science program.

RESEARCH AND IMPROVEMENT

You note that we have an increase of $6 million in the National Institute of Education budget, which would raise that to $54 million if it is approved, and the National Center for Education Statistics would have $9 million.

We are putting a lot of emphasis upon NIE. They will be providing leadership in the development of software in line with the great momentum we have in the area of computers.

Also, we have $12 million in the fund for the improvement of postsecondary education, and we are pressing for improvement in teacher education programs there.

PROGRAMS FOR DISADVANTAGED AND HANDICAPPED

Our proposal would also fund chapter 1 at the same level as 1984, which is $3.5 billion.

Our request for education for the handicapped, under Public Law 94–142, is $1.1 billion, and we propose $1 billion for the rehabilitation services program.

LEVEL FUNDING

For adult education, bilingual education, and title III of the Higher Education Act for developing institutions, we propose level funding. We are not proposing reductions in those areas.

VOCATIONAL EDUCATION

I might also emphasize that 1 year ago we proposed a block grant consolidation of adult education and vocational education, and we have not been successful with that. So we are trying a different approach, and that is a consolidation of the vocational education programs only, with a simplification and a reduction of the number of set-asides in vocational education. We are not pushing to consolidate vocational education with adult education in this year's request.

We continue to believe that we ought to have a change in the legislation that would make it possible for recipients of bilingual education grants to use the funds on a broader basis, such as for programs that use ESL or immersion approaches, as well as the bilingual programs.

STUDENT AID PROPOSALS

We are proposing, as we did 1 year ago, the self-help aspect of the student aid programs, where we would require students and parents to make a minimum contribution to the education of the student before he or she could qualify for the grant aspect of the programs.

Now, as I point that out, I want to emphasize that the work-study and guaranteed student loan programs, federally subsidized in both cases, can be used on the part of students to meet the self-help requirement. This was not well understood 1 year ago, and some had the impression that we were expecting a certain portion of the cost of education to be provided by the student and the student's parents without any assistance.

The emphasis that we want to give is that we think the grant ought to be provided only after a reasonable minimum effort has been made by the student.

I would also point out that we are proposing an increase in the work-study program to make it possible to provide more work opportunities for students in connection with the self-help program. We are also proposing a maximum Pell grant of $3,000, where this year it is $1,900.

Now, as a tradeoff with that, we would propose that there wouldn't be any funding for the supplemental educational opportunity grant program, but we do propose that the work-study program include authority

for institutions to transfer some of those funds, if they didn't have enough students who need work-study opportunities, to the supplemental opportunities grant program.

Under the Pell grant program proposal, 80 percent of the funds would be targeted on students with incomes below $12,000.

VOCATIONAL EDUCATION BILL

I would emphasize that we are proposing level funding for vocational education and are hoping that we will get a new vocational education bill this year.

IMPACT AID

In impact aid, we propose a $507 million appropriation, primarily for payments to school districts that enroll students whose parents both live and work on Federal property. We don't propose any funding for "b" students.

So that, then, Mr. Chairman, is a quick summary of our budget proposals. There is much, much more detail, but I am sure in our discussions and others with the Assistant Secretaries we can get into that further.

INTRODUCTION OF STAFF

I would like to introduce to you Gary Bauer, who is our Deputy Under Secretary for Planning, Budget, and Evaluation, and Sally Christensen—I am bragging when I say we think we have the best Budget Director in the Government, and we are really proud of Sally and the great job she does—and Bill Dingeldein, who is our expert on student aid, among other things.

So we are pleased to be here to discuss our budget. I want to thank you for the appropriation that we received for 1984.

I think, if we weigh everything, including the problems we are all struggling with regarding the deficit, I think we got a good appropriation, and I appreciate the thoughts and consideration that this subcommittee gives to education.

We are ready to respond to questions.

Senator WEICKER. Thank you very much, Mr. Secretary.

PROPOSED BUDGET INCREASES AND DECREASES

Just prior to the hearing, I asked the staff director to give me the broadest possible overview as to exactly what the administration has done, and now the answer comes back this way: You ask for an increase of $250 million in chapter 2; you ask for an increase of $50 million for a new math and science program.

Secretary BELL. Right.

Senator WEICKER. Having said that, it can also be said that overall there is a decrease in student aid, even though there is additional money for work-study, and decreases either by virtue of actual de-

creases or by virtue of level funding, and if we apply to the level funding the administration's own inflationary figure, a decrease in student aid, in handicapped, and in vocational rehabilitation.

I will leave impact aid and library assistance out for a minute.

Now, to get to the big block of your increase, it would be $250 million for the chapter 2 block grant. You say this goes directly to States for use as they see fit for any educational endeavor.

First of all, I have difficulty agreeing with the administration on the programs that have been cut.

BLOCK GRANT VERSUS CATEGORICAL AID

Second, if the philosophy of the administration is valid so far as chapter 2 block grant, then how do you reconcile that with the $50 million categorical increase for math and science?

So, what I would like to have you address yourselves to is both that philosophy and that block grant and then you are proposing the reductions in these other programs in real dollar amounts or in terms of the impact of inflation.

Secretary BELL. First of all, our analysis is that if we include GSL and the cost of GSL funding, we anticipate there will be a $251 million increase in the cost of student aid.

Now, if we were to apply a cost-of-living adjustment to this, obviously there would be decreases—but philosophically, the concept we have had is to try to provide a limited amount of categorical aid in areas where there are problems that need attention, and where some Federal money would help to beef up an area that is in difficulty, like math and science. After a few years when the problem is met, then we think the funding ought to be shifted to chapter 2 to give school systems more discretion.

It is hard to fashion a categorical aid program, especially one that is going to stay in place over a period of years, that will fit the needs of all 50 States and will adjust to what they are doing on the State level.

So that is our rationale for chapter 2, and right now, as the States are responding to this National Commission on Excellence study and other reports and studies that have been released, there is a great amount of activity going on in all of the States.

The best way to provide them assistance that will meet these variable needs is to go to chapter 2, and the emphasis in the different States varies considerably in this regard.

Senator WEICKER. Well, first of all, a comment. I don't criticize you for requesting additional moneys for math and science, but really then I think it shows the fallacy of overgeneralizing as to who should be doing what, either at the Federal level or at the State level.

If there is a need and if the need isn't being met and if, indeed, there has to be a higher criteria placed in order to achieve a desired end, then a categorical route is perfectly appropriate, and that is, in effect, what you are saying here.

Secretary BELL. Sure.

Senator WEICKER. And that is, in effect, what some of us have been saying over the years as to the retarded or the handicapped, that there is a specific need in those cases and the need has not gone away.

SCIENCE AND MATHEMATICS

Secretary BELL. We wouldn't debate that, Mr. Chairman, and we feel that there is a math and science need and especially would emphasize that there is going to be one. The report of the national commission that was released last April indicated that 35 out of 50 States require only 1 year of math and 1 year of science to graduate from high school.

We know now that most of the States are increasing these requirements dramatically. Some are implementing the commission's recommendations that 3 years of math and 3 years of science be required.

Well, that is going to generate an enormous demand for more math and science teachers, and our proposed bill would concentrate on the preparation of additional teachers in that area. That is why we feel at this particular time that that type of categorical assistance is justified.

And I wouldn't want to say for a moment that the categorical help that is given in both chapter 1 and in aid to the handicapped hasn't been successful and very useful.

CHAPTER 2 STUDIES

Senator WEICKER. Indeed, I am going to apply the same rule to myself, just so we keep on going around, of 5 minutes.

Do you have any studies on the chapter 2 block grant as to its effectiveness?

We are dealing with a new program in which you are asking for a huge increase, and I don't know what the track record is here at all.

Secretary BELL. What we do know is what the funds are being used for. We have funded an evaluation, and we will have that evaluation report, but we are several months away from that yet.

But we do know that the funds are being used for such things as teacher training, dropout prevention, curriculum development, and to upgrade high school graduation requirements.

New York State, for example, is using a good portion of its funds to help schools where large numbers of the students are scoring below the minimum competency exams that they require.

There has been a lot of publicity about the schools using block grant money for computers and technology, and there is a substantial initiative there. But if you read the reports in the press, you think that is all that is being done, when there is—if you aggregate all of it, much more done in other areas.

FLEXIBILITY ADVANTAGE OF BLOCK GRANT

Then, in addition to that, I have been out meeting with school leaders and various groups, and I have asked them, presuming that I can be successful in persuading my colleagues in the administration to support an increase, where would it be of the most use to you?

I met with a group of superintendents from cities from 100,000 to 300,000, and there must have been 35 or 40 of them there, and they were almost unanimous in their response that they would rather have the money in the block grant.

Based on my own experience of 4 years as a local school superintendent and chief State school officer for 7 years, I can tell you that the money that you can have discretion to utilize and employ is the most useful.

Senator WEICKER. Senator Specter.

Senator SPECTER. Thank you, Mr. Chairman.

VOCATIONAL EDUCATION BILL S. 2289

Mr. Secretary, I wrote to you on March 8—and I realize you haven't had an opportunity to respond—concerning a bill which I introduced, S. 2289, relating to vocational education at community-based organizations, and it relates directly to the programs which Rev. Leon Sullivan has in some 34 States——

Secretary BELL. Yes.

Senator SPECTER [continuing]. Where he has found it is impossible to have adequate job training without prevocational training. Considering the estimate of your Department that there are 26 million functional illiterates in this country, with black and Hispanic youth unemployment at the 60 and 29 percent rates, respectively, I would be interested in your evaluation of the desirability of the objectives of this legislation.

I don't think it has to be my bill necessarily.

Secretary BELL. Senator, I think the objectives of the legislation are really laudable. I think that they touch on where the big need is.

Most of the adult functional illiterates are unemployed and they are unemployable, and so I think you are touching right on where the need is.

Senator SPECTER. Mr. Secretary, I only have 5 minutes, so let me get to the point of this particular issue.

PREVOCATIONAL PROGRAM SET-ASIDES

I understand that there is a sympathetic approach by your Department on putting organizations like OIC on advisory councils and also the standard of providing special consideration for grants or proposals for prevocational education.

But what I would like to ask you to zero in on is the suggestion that my legislation makes about a 10-percent set-aside for each State's allotment for vocational education for prevocational programs. I'd like your response to that.

Secretary BELL. I felt that the set-asides may be a little bit too rigid.

Senator SPECTER. How can we assure that some of the funds will be directed there? I am not wedded to the set-asides, but the problem is, if you don't mandate it in some specific way, it doesn't happen.

Secretary BELL. I would prefer, Senator, that each State in its State plan, show that it has made a need assessment, and that it is allocating

resources to meet those needs, and then we can handle that variability of need within each State or institution.

Senator SPECTER. Suppose they don't include the prevocational training?

Secretary BELL. Well, I think we could get back to them and persuade them to do so.

Senator SPECTER. I'd like you to give more consideration to the set-aside concept Reverend Sullivan has. He's been a very effective lobbyist and has touched some 34 States, and his program has been very effective. And he has had a lot of experience at it, much more than—not much more—I have had virtually none. But his recommendation is so strong that I think it carries a lot of weight, and I would appreciate it, personally, if you would take a close look at his suggestion.

Secretary BELL. Very good. I respect him very much. I think he has done a lot for his group and this target population. And I agree with you, it has been very, very effective.

Senator SPECTER. Mr. Secretary, I would like to touch one other subject in the 5 minutes I have.

Senator WEICKER. I want to also compliment the gentleman from Pennsylvania for pursuing this matter and also to indicate that the chairman knows the Reverend Sullivan well, and he is just outstanding, in terms of a person and in terms of ideas that he fights for.

Secretary BELL. I agree.

LINCOLN-CHEYNEY FACILITIES ASSISTANCE

Senator SPECTER. I have a Juvenile Justice Subcommittee meeting. We all have overlaps, and I have good people waiting, so I just want to cover one more subject, before I have to excuse myself, and that relates to the problem with respect to the Lincoln University and Cheyney State College matter, which has been before this subcommittee and the full committee and your Department, and I know you will recall the matter well.

Senator WEICKER. What is the matter?

Senator SPECTER. Lincoln-Cheyney. That is the matter in which there was an issue as to the allocation of $5 million, and they had a lot of procedural problems. At the last minute, Mr. Stockman wrote to me, saying that the money had been found elsewhere. I informed the chairman of that at the conference last November 15, making that disclosure, which took the matter away from conference, and we tried to get it worked out in a way which would accommodate all the interests. And my staff and I have been working on this intensely for many months now, since November 15, and we are at a real impasse—a critical impasse, which may be redundant, but what has happened is that to date, no funds have been received.

The purpose of the funds, as outlined in the letter from Under Secretary Jones, includes maintenance costs as well as other expenditures.

The foundation has been forced to borrow $700,000, because it has current security and heating of $110,000 a month. It cannot get the $1.6

million of EDA funds, because, in order to get that, they have to fill out EDA forms, describing how they will renovate. And they can't do that, because they don't have the planning funds to answer those questions. And the situation is an incredible snarl.

There was a marvelous event in the Cabinet Room last November on this subject, where there were assurances from the President about this program, and now the institution is struggling with absolutely nothing happening. Where do we go from here?

Secretary BELL. First of all, at the time that this matter was before us, I wanted to see the supplemental passed. Mr. Stockman felt that I could handle that out of the Secretary's discretionary fund, and indicated such. The only problem about that is the Secretary's discretionary fund is for elementary and secondary education, and this matter involves universities. I pointed that out to Mr. Stockman as rigorously as I could. This notwithstanding, we feel that we are going to be able to meet our commitment there.

APPLICATION PROCEDURE

Now the Under Secretary has been up to the center, and so has the Assistant Secretary for Vocational Education. We have been working with them on their applications. They will need to apply under our regular funding sources. I have been in touch with Secretary Baldrige at the Commerce Department concerning EDA's involvement. They are now working with the institutions, and they are getting their EDA application out.

Senator SPECTER. But how do we answer the questions about renovating this building, until they have the planning funds to answer that question?

COMPETITION FOR FUNDS

Secretary BELL. We think that, as soon as the institutions can get an application to us, we will at least be able to provide part of the planning funds. I would emphasize, Senator, that we made a commitment to provide the $5 million, subject to their applying and competing for the funds.

Senator SPECTER. What do you mean competing?

Secretary BELL. Yes.

Senator SPECTER. What do you mean by that?

Secretary BELL. Well, the institutions have to apply for the funds and they have to have a successful application to be awarded the funds.

Senator SPECTER. Well, Mr. Secretary, that is contrary to my understanding of what the administration has committed to do. If you are talking about competing with an element of uncertainty, that is not what President Reagan has said. President Reagan has said the Federal Government would make available $5 million to Lincoln-Cheyney, and the issue came before our conference, where it was withdrawn. It would have been defeated, had it not been withdrawn, but it was withdrawn on Mr. Stockman's assurance that the money was present—$3.4 million

was to come from the Department of Education, $1.6 million from EDA, and if you are now telling us, on March 13, that Lincoln-Cheyney has to compete, that is a direct about-face.

Secretary BELL. Well, Senator, the funding sources that I have for meeting this need over a 3-year period are the kinds of sources where we have to follow Federal procurement rules, and I need to be careful that I don't violate the Federal procurement rules.

In addition to receiving some correspondence from you and other committee members here, I am receiving it from the House, and there are some pretty strong feelings expressed about this in the House. Given our assessment of their eligibility, with their heavy historically black student population, we have every confidence that they will qualify for funding. However, I don't want to imply to you that we can take that amount of money and just hand it to them. We just don't have that kind of discretion. Now, if they had received some kind of directed appropriation, then it would have been possible to fund them. But I need to follow the requirements. I have talked to Secretary Baldrige, and he thinks that the institutions will qualify, once they complete their application.

In this regard, I would indicate that we are trying to get the institutions to accelerate their submissions. I have been surprised at how long it has taken for them to get their committees to meet on their proposals. We are trying to help them all we can.

MATCHING INSTITUTIONS' NEEDS TO FUNDS AVAILABLE

Senator SPECTER. Well, Mr. Secretary, the position is, they can't fill out the forms and make their proposals, because they don't have the planning money to accomplish it. And when we talk about $3.4 million from the Department of Education, there are only a few of those funds that can be used for renovation or startup costs. So the long and short of it—I understand what you are saying. You are saying that the funds available just don't fit the situation of Lincoln-Cheyney.

Secretary BELL. It isn't totally that. There is going to be some difficulty, however, for the institutions' needs to fit the available funding. Now I know from their plans and what they are planning to do in the area of vocational education, and from the extent of the unemployment problem out there—especially for the minority population—that they can, in all probability, qualify for a vocational award. That award would be to help them to operate that center with a considerable amount of discretion. They can utilize that. We are doing our best to help them with their application. I don't think they need a lot of funding to prepare their application, and I don't have the discretion to hand them a planning grant, the resources being where they are. We have very limited resources in higher education. If we were dealing with elementary and secondary education, then we would have more discretion.

Senator SPECTER. Well, Mr. Secretary, I am going to conclude at this time. The chairman has been indulgent.

FEDERAL COMMITMENT TO LINCOLN-CHEYNEY

I understand the problem, and I am not suggesting to you for 1 minute that you violate the law. No question about that. But what I am saying, flat out, is that I have a letter from David Stockman, dated November 15, 1983, saying "I'm sure you know by now"—which I didn't—"an approach has been worked out using currently available education and HUD funds that will allow the project to go forward."

I do know there was a ceremony in the White House in the Cabinet Room——

Secretary BELL. I was present.

Senator SPECTER [continuing]. By the President. I couldn't wait until it started and had to go to vote on the appropriations bill, so I missed the ceremony where all of this work came to fruition. But I am reliably informed, that the President made this commitment, and I am going to send this transcript to the President and to Mr. Stockman.

My statement is that the President of the United States—the administration—has made a commitment for this $5 million without all of the conditions that you have recited that Lincoln-Cheyney is facing. And I think it's got to be delivered on.

Secretary BELL. I think we are going to be able to fulfill that commitment. I think that between Commerce and Education—and I didn't know HUD got into this—but I think between Commerce and——

Senator SPECTER. I don't know how Stockman got into this.

SECRETARY'S DISCRETIONARY FUND

Secretary BELL [continuing]. And we are also talking about this over a 3-year period. We think the institutions are going to be able to qualify, and we will be able to fulfill the commitment that was made. But I think at the time that Mr. Stockman wrote you that letter, he had the impression that I had an $18 million discretionary fund. One of the things about the Secretary's discretionary fund is that there's not much discretion in it. And in addition to that, the fund is for elementary and secondary education.

And while I make that remark about the limited discretion, I want to say to you, Mr. Chairman, if it weren't for you, there would be a darn sight less discretion than there is now, and I want to thank you for that very much. But we are struggling with the problem as best we can. I don't think that we can conclude we have failed to meet that commitment. We are working with it now. We need more help from the institutions on the paperwork side, and we're up there now working to help them on that paperwork.

FEDERAL COMMITMENT

Senator SPECTER. Well, Mr. Secretary, I have to disagree with you, when you say you haven't failed to meet the commitment. There is a commitment for $5 million, without all those strings, and when Lincoln-Cheyney has had to go out and borrow $700,000, I don't see how

you can sit across this table from me and say the commitment has been fulfilled, providing $5 million to Lincoln-Cheyney.

Secretary BELL. You see, Senator, the commitment is over a 3-year period. Not instantly, right now.

Senator SPECTER. Well, but let's have some now. There certainly could be $110,000 a month now.

Well, I don't want to prolong the discussion. I think our point has been made. I am told by staff it was—along with the other errors—there was a typographical error about HUD being EDA, in Mr. Stockman's November 15 letter. But I think that has got to be corrected one way or another.

Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator WEICKER. Thank you, Senator. Senator Chiles.

CHAPTER 2

Senator CHILES. Thank you, Mr. Chairman. Mr. Secretary, the chairman was mentioning the funds that were proposed for chapter 2 for improving the quality of education. That's a $250 million increase. While you have said that some part of this is being used for computer equipment, your findings show that that was not true, and many of the funds were used for worthwhile purposes. I think that might be probably correct, too.

COMMITTEE INTENT FOR CHAPTER 2

It seems to me, if this committee were to appropriate additional funds for chapter 2, we would want to see that they would be used to promote quality. And I just wonder if you would be amenable to some directions from the subcommittee on the types of projects and reform efforts to be funded.

Secretary BELL. I think that, first of all, Senator Chiles, I would not want to agree—and I don't know that you implied it—that the use of chapter 2 moneys to help schools effectively utilize computers is not a laudable use. I am just saying, since a computer is such a high publicity item right now, that there are a lot of other uses that have not been highlighted. I think that if the committee in its report emphasizes its intent in making this appropriation, we could relay that emphasis to the States and to the locals without violating the fundamental principle of the block grant—and that is, to leave them considerable discretion.

FLORIDA REFORM LEGISLATION

Now in your own State, Senator, with new legislation passed down there in the State of Florida—very comprehensive, and I'd say one of the most far-reaching changes in any of the States right now—Florida really has a lot of momentum. They are putting a lot of emphasis on the career ladder master teacher program, and I have been in touch with your State commissioner. In fact, he is coming up to see me next week. And they can use these funds for inservice training of teachers who will be serving on peer review committees, if they have this kind

of money. And if your local county school systems down there have this kind of money over which they have discretion, they are going to be able to find this is a welcome resource not tied to the bargaining table--like the other money is—that they can use to prepare and train their people.

Senator CHILES. I agree with that, but I think if we are going to provide these few dollars, and most of the places, we are having level funding or cutting back some, it would seem to me, we would certainly want to try to see this was going to go for those quality items that we are talking about.

CHAPTER 2 BLOCK GRANT INCREASE

Secretary BELL. I guess it is a matter of how much confidence we have in the locally elected school boards and their authorities. I constantly feel—and the more I work with them, the more confidence I have in them—I think they're really responding right now. We have a lot of momentum going in education, and I felt that this would be the best source we could turn to. And I want to emphasize to you that it wasn't easy to get this $250 million increase in the block grants.

Senator CHILES. I can well understand that.

Secretary BELL. If I could just say, the reason I am seeking this is because I know that it is the preference of the education community that I work with. They feel that chapter 2 is the additional Federal money that would do them the most good at this time. There is enormous public interest, education is on the front page of the newspapers, and the education community needs some resources to move in the direction that they are talking about. And at the same time, I understand your concern—if we are going to come up hard-pressed, as we are going to be in this budget, we ought to make sure it's going to be targeted where it will do the most good.

Senator CHILES. That is right.

VOCATIONAL EDUCATION

Given the report's findings on the problems of our high schools and the need for a smoother school-to-work transition, I am surprised that the administration has not included vocational education in its excellence package. Congress is in the process now of reauthorizing the vocational education programs.

What, if any, role do you see for vocational education and improving the secondary schools and helping young people prepare for the world?

VOCATIONAL EDUCATION PROPOSED LEGISLATION

Secretary BELL. One year ago we proposed a $500 million appropriation for vocational education, and this year we are up considerably. In fact, the request is up at the level the Congress appropriated 1 year ago, and in addition to that, we are pressing for legislation which would place a considerable amount of emphasis upon unemployed youth. So we think we are being responsive to that need.

That is Senate bill S. 2302. It is a bill that doesn't have as many set-asides as the bill that the committee has been marking up. We think, philosophically, that it will provide resources that will be more useful to the school system.

But I agree with you that we need the emphasis upon employment training, and our bill plus Labor's Job Training Partnership Act ought to make a substantial inroad there.

CAPACITY-BUILDING AND SPECIAL PROJECTS CUTS

Senator CHILES. Since the current deficits are limiting our Federal dollars for discretionary programs, it seems that how we spend the money on education becomes important, not how much we spend, and I am curious as to why the programs to build the States' capacity to serve the disadvantaged and handicapped students are recommended for cuts while the direct services are held at the 1984 level or with slight increases.

For example, the administration's proposed 1984 levels for grants to the States under Public Law 94–142 asked for a cut of nearly $18 million, or one-third, in special education personnel development. Likewise, the 1-percent increase in the grants to local education agencies under chapter 1 is offset by $29 million, or a 10-percent cut, in migrant education.

Shouldn't we be trying just as hard to maintain those special projects and capacity-building programs of the States, particularly since the Federal dollars are way less than the need to serve the eligible children?

Secretary BELL. There has been a shift in some of those needs, and we think we have been responsive to them. I would like to ask Sally Christensen, if she would, to give some specifics on that.

Senator CHILES. If there is a shift in the need of migrant education, I sure don't find that.

Secretary BELL. No; I was talking about training versus some other needs in the handicapped area.

Ms. CHRISTENSEN. I can address each one separately.

PROPOSED CUTS FOR HANDICAPPED PROGRAMS

In the handicapped area we do have four decreases in discretionary programs under Public Law 94–142, the Education of the Handicapped Act. The first is deaf/blind centers, where we would shift the emphasis from providing direct services, which can be provided and are now being provided under the State grant program, to training and technical assistance.

Another decrease is in innovation and development, where our request covers the cost of all continuations, as well as some model post-secondary and youth employment and technology projects, which would all be new projects.

In personnel development, where the largest decrease is proposed, we would focus on training for parents and volunteers, and preservice training in areas where we know there are specific shortages—shortages which would be identified.

We would phase down inservice training, since we feel that is a State and local responsibility and can be provided under the part B basic grants, as well as the funds that the States themselves are providing.

Finally, there is a minor decrease in special studies.

PROPOSED CUTS IN CHAPTER 1 MIGRANT PROGRAM

I can address migrants if you want me to.

Senator CHILES. Please.

Ms. CHRISTENSEN. When we speak of migrants, I assume we have two programs you are speaking of, the chapter 1 migrant program or the——

Senator CHILES. Chapter 1.

Ms. CHRISTENSEN. In Chapter 1, what we are proposing to do is to focus those funds primarily on those students who are truly migratory and have actually had their education interrupted as a result of moving during the school year.

In fact, recent data show that over 25 percent of children being served under the migrant program have not moved in 3 years.

MIGRANT ELIGIBILITY CHANGES

Our proposal this year differs a little bit from last year. We would phase in the change over 2 years rather than 1 year. In the first year we would eliminate the fourth and fifth years of eligibility that a child would be deemed migrant. In the second year we would eliminate those formerly migrant children in their third, fourth, and fifth years, thereby reducing in total the number of years a child could be deemed migrant and eligible for services under this program from five to two.

Senator CHILES. Well, that is a nice formula, but still the needs of migrant children are not decreasing. If anything, there is a greater need. We are only serving a small portion of those needs with the Federal dollar, and why are we turning around?

Ms. CHRISTENSEN. We are saying that a lot of the students that we are serving are not truly migratory. We have program data that have shown that in fact 25 percent of students that are now being served, and counted for allocation purposes, have not moved from their school districts within 3 years. We could not really call these migratory children, and we are saying the need is not as great for these children. We want to reach the children who are truly migratory, and focus the limited funds that we have on them.

Senator CHILES. Well, it seems like we are talking about limited funds, and we are talking about increasing certain programs and we are decreasing others, and we come up with a definition. I think a lot of people have a broader definition for what is a migrant child. He is a child of a rural worker or a farm worker and may be at times moving and at times not moving.

They're certainly very disadvantaged children, and many times they have handicaps in trying to speak English, and a lot of them are coming from outside of the country with tremendous problems, and you say that need has decreased or there is a change in the formula?

OTHER PROGRAMS SERVING MIGRANTS

Ms. CHRISTENSEN. But the same children would still be served under chapter 1 and under other programs such as handicapped and bilingual—whatever other programs they also qualify for.

The point is, those children are not migratory if they are farm children who stay in the same local education agency and still go to the same school for 3, 4, or 5 years in a row. Unless they have had their education interrupted during the school year, we don't see that that is a problem. If those children who cease to migrate are educationally disadvantaged, they will be served under the chapter 1 LEA program.

Secretary BELL. I would emphasize, Senator, that the decreases there are small, although I am not saying they aren't significant.

I would also emphasize, one of the reasons I have put the stress on the chapter 2 block grant—and obviously we could have come up with less than a $250 million increase in chapter 2—is that there is discretion there that puts those funds where the needs are.

I think it serves American education better, since the country is so broad and diverse, to leave that discretion there, and if school districts have unmet needs for migrant children and they don't have enough money, then they can use their chapter 2 block grants if they choose to do so.

Senator CHILES. I thank you, Mr. Secretary. Mr. Chairman, I thank you for your time.

FEDERAL ROLE IN RESTORING EXCELLENCE

I would just like to say that it looks like we still are seeking a clear Federal role in the specific agenda for restoring excellence to our schools. I think it is critical that we do so.

NATIONAL SUMMIT CONFERENCE ON EDUCATION

I would like to know, Mr. Secretary, if you are still receptive to having a national summit conference on education to sort out these issues and set a national agenda for education?

Secretary BELL. I wouldn't oppose that. We held our national meeting in Indianapolis last December and had the legislators and the Governors there before they went into session, and it might be that an additional conference might be necessary.

The one draft that I saw that came from the House seemed to be quite restrictive. The numbers that would be invited were limited to, I think, around 250. We had 2,300 people at our national conference and more clamoring to get in.

There are several features of the summit conference bill I thought maybe ought to be changed a bit, based upon my experience.

I don't want to sit here like I am the know-it-all because I certainly am not, but I don't know how you can get a group that is widely representative of education in the United States and only have 250 people present.

So I was concerned about the limited scope of it at the time. It might be that in 1985 there would be a need for this again. I don't know how we would squeeze it in with all of the activities and the election in 1984.

Senator CHILES. Thank you, Mr. Chairman.

Senator WEICKER. Senator Burdick.

IMPACT AID

Senator BURDICK. Thank you, Mr. Chairman.

Mr. Secretary, the first question ought to be easy. It won't cost a nickel.

I have received some complaints from the North Dakota School District about getting their impact aid money. Sometimes the entire year goes by without payment. They are forced to borrow at high interest rates to make up for these funds.

Can't we hurry that up a bit?

Secretary BELL. We thought we were on time this year.

Would you respond to that, Sally?

PRELIMINARY PAYMENTS

Ms. CHRISTENSEN. We do make preliminary payments to local school districts who apply for those funds in December. In April we make a second set of payments based on an actual count of children. Preliminary payments are based on 75 percent of the prior year payment, and are given if a school district applies for it.

Senator BURDICK. I had best get some affidavits from these people. They are telling me they are not getting money.

Ms. CHRISTENSEN. We will be glad to take the specific question and look into it.

Senator BURDICK. You know, we don't still have the Pony Express out there.

Secretary BELL. I think, Senator, that sometimes the delay just absolutely can be laid at the feet of our bureaucracy. But there are other times when the institutions don't respond.

It is like the conversation with Senator Specter here. I could have responded to that need if I had gotten an application in my hand.

I was reading here about the celebrated Douglas School District case in South Dakota, and I read where they are not going to get the information in until April.

And sometimes we think that there is a little problem on the other side of this, too, not to obscure the fact that often we are not as timely as we ought to be. I want to acknowledge that problem.

Senator BURDICK. Well, I am going to tell them to be as timely as they can on their end to improve that.

Secretary BELL. Senator, if you have some specific school districts in your State that are concerned, we would be happy to see what the specific problem is. I may have to say, well, it is us.

I am not going to sit here and say that we are perfect in it because I know we are not.

Senator BURDICK. You will probably hear from me.

GSL NEEDS ANALYSIS

I understand you are proposing to change the law to make all guarantees of loans based on need. I am concerned about the impact that might have on students from farming and small business communities. Often our farm and small business income is low, but they have high assets because they own the lands, extensive lands, extensive machinery.

What consideration do you plan to make for those students that switch to a totally need basis for the GSL?

Secretary BELL. Now you have to prove need if your income is over $30,000, Senator. Our proposal is that we require a need analysis on all guaranteed student loan recipients, regardless of income level.

ADJUSTMENT FOR FARM ASSETS

I believe that we have made some adjustments in that need analysis to accommodate the farm assets, and maybe Bill Dingeldein could talk to some specific items on that for you.

Mr. DINGELDEIN. Senator, the Secretary is referring to adjustments we have made in the Pell grant program which take into account farm assets.

In the guaranteed student loan program, there is more flexibility than there is in even the Pell grant program. Students from farming communities would be treated more favorably because in the GSL program we allow need analysis systems that are less strict, if you will, than under Pell grants, and there are also more options available in the GSL program in terms of the kinds of need analysis systems that could be used.

We could put something in the record to describe the details, but in short, there is more flexibility, and I think you would find that, in general, greater recognition of assets is provided in the kinds of need analysis systems that would be used in the guaranteed student loan program.

Senator BURDICK. You say you are putting something in the record. What do you mean by that?

GSL PROGRAM NEED ANALYSIS SYSTEMS

Mr. DINGELDEIN. In other words, to describe in more detail what systems can be used.

For example, a school could use the American college testing or college scholarship service—CSS system. There are at least two or three nationally recognized need analysis systems. Unlike the case with the Pell grants, we allow greater flexibility in the kind of need analysis systems that could be used for determining needs under the guaranteed student loan program, and also there is a simplified lookup table type of system where, again, it is less complicated.

In looking at the guaranteed student loan program and in talking about need analysis, it is a little bit different than it is under the Pell grants. We could describe that in more detail.

TREATMENT OF FARM ASSETS IN GSL NEED ANALYSIS

Senator BURDICK. Will you send me a letter so I can explain this to those people back home, because these are cases where they have high assets and low income. Will you send me a letter detailing what we have to do to qualify, and I would appreciate that.

[The information follows:]

LETTER FROM GARY L. BAUER

MARCH 30, 1984.

The Hon. QUENTIN N. BURDICK,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BURDICK: The purpose of this letter is to respond to your inquiry at the Senate appropriations hearing on the Department of Education's budget on March 13, 1984, regarding the treatment of farm assets in the need analysis systems used to determine student eligibility for a guaranteed student loan.

For each of the Federal student financial assistance programs, need analysis systems are used to calculate a family's expected contribution to educational costs. Currently, in the guaranteed student loan (GSL) program, the expected family contribution (EFC) is calculated for borrowers from families whose adjusted gross incomes exceed $30,000. As you know, this administration is proposing to extend the need test requirement to all GSL borrowers.

For GSL purposes, the college financial aid administrator has two need analysis options: (1) a lookup table, published annually by the Department of Education, and (2) any one of several approved need analysis systems, also published annually, which are used in apportioning aid under the campus-based programs, that is, supplemental grants, work-study, and direct loans. Under the lookup table method, assets are not assessed; only adjusted gross income is considered. Under the alternative systems, of which the uniform methodology system is the most common, farm assets are considered. If campus-based Federal aid has been awarded to a particular student, the need analysis system used in calculating eligibility for that aid must also be used for GSL purposes. Otherwise, the aid administrator may use the simpler lookup table method or another approved system.

In general, the uniform methodology need analysis system (used by the college scholarship service and other major need analysis services) determines the expected family contribution by assessing a family's adjusted available resources, which include net income and net assets. Net assets or net worth is derived: first by subtracting all related indebtedness (such as mortgages and loans for farm equipment) from the estimated market value of the assets, and then by subtracting an asset protection allowance which is based on the family's prospective retirement needs and which varies from $25,800 (when the oldest parent is age 40 or younger) to $58,200 (when the oldest parent is age 65 or older). A percentage of the resultant adjusted net worth amount is considered available to meet postsecondary costs. The rate of assessment varies from zero to 12 percent depending upon the family's other adjusted available resources.

Further, net farm assets, unlike other assets, are adjusted downward before being reduced by the age-based allowance discussed above. For farms worth $55,000 and less (net of all indebtedness), 40 percent of the net value is included; for farms with net worth between $55,000 and $165,000, $22,000 plus 50 percent of the amount over $55,000 is included; for farms with net worth between $165,000 and $275,000, $77,000 plus 60 percent of the amount over $165,000 is included; and for farms with net worth over $275,000, $143,000 plus 100 percent of amounts over $275,000 is included. Thus, while farm assets are taken into account under the widely used uniform methodology

calculation, several intermediate steps are taken which reduce the net dollar value of farm assets before they are included in the calculation of a family's expected contribution.

I would like to emphasize that the college's financial aid administrator has broad discretion in determining the family's financial strength for purposes of the GSL and campus-based student aid programs. If the approved general need analysis calculation is believed not to accurately reflect the family's available resources, the financial aid administrator may make appropriate adjustments. (It is required that such adjustments be justified in writing and available on file for institutional audits.) Also, as mentioned above, the aid administrator may choose to use the nonasset based lookup table method in certain circumstances. We expect that this method is used in most cases in which the standard formula (for example, uniform methodology) shows zero or low remaining need (educational costs minus expected family contribution).

Finally, it should be understood that the expected family contribution (EFC) derived from need analysis evaluation of family income and assets will limit a student's GSL eligibility only if, and to the extent that, estimated educational costs minus other aid minus the EFC is less than $2,500 (the annual loan limit for undergraduates) or $5,000 (the annual loan limit for graduate students). For many students (attending moderate to high cost institutions) the expected family contribution calculation results in little or no reduction in GSL eligibility.

Thus, for the above reasons, we believe that the GSL need analysis required under current law generally does not result in significant reduction of GSL eligibility for farm families, nor would it under the proposed extension to families with less than $30,000 in adjusted gross income.

I would also like to mention that students whose regular GSL eligibility is reduced due to need analysis still have access to the less subsidized auxiliary/plus loan program—up to $3,000 per year for parents of dependent undergraduates and for graduate students borrowing on their own behalf. No need analysis is required for these loans.

I hope this clarifies how farm assets are treated under the need analysis systems used in determining eligibility for guaranteed student loans. Please let me know if you have any further questions on this subject.

Sincerely,

GARY L. BAUER.

CHALLENGE GRANTS STATUS

Senator BURDICK. One other question. What is the status of the challenge grants?

I wasn't here when you made the statement, and I apologize for that. Maybe you talked about it.

Secretary BELL. We didn't touch on the challenge grants. I presume you are referring to title III of the Higher Education Act?

Senator BURDICK. Correct, and I understand there is some attempt or some intention to phase out the challenge grants program?

ENDOWMENT PROGRAM PROPOSED INCREASE

Secretary BELL. There is a new program to build assets—endowment assets. Sally Christensen can respond to that.

Ms. CHRISTENSEN. We have proposed an increase in the endowment program of $8 million, up to a total of $15 million.

The challenge grants will begin phasing out because the law terminates at the end of fiscal year 1984, and we are consolidating part A and part B. This has been a very unwieldy kind of program to administer with all of its set-asides—we are changing that to basically a 5-year nonrenewable program.

After those 5 years, an institution can go into an endowment program. We think we have a strategy whereby institutions could surely become self-sufficient for the first time, and we could begin to graduate some of these institutions from this program.

Senator BURDICK. If you could get me the letter on farmers' children, it would be very helpful.

Thank you very much.

[CLERK'S NOTE.—The March 30 letter from Gary Bauer to Senator Burdick appears on page 730.]

MATTERS ON THE FLOOR

Senator WEICKER. Thank you very much, Senator.

Mr. Secretary, I have a couple more questions I want to get to, and I want to put the next panel on notice that because of matters on the floor and a meeting with the majority leader at 11 o'clock, the next panel will be coming on here shortly. So you might as well get yourselves in order for that.

And in the meantime, I would like to get to a couple of specific questions to you, Mr. Secretary. We are going to have a large problem before us——

Senator BURDICK. Mr. Chairman, just a question.

Senator WEICKER. Yes.

Senator BURDICK. I have a competing hearing upstairs. There are other things I had intended to ask about that I haven't had the time myself.

Could I submit questions within the next week?

Senator WEICKER. Certainly. The record will be left open for all Senators to submit their questions for response to the record.

Senator BURDICK. Thank you.

ASBESTOS IN THE SCHOOLS

Senator WEICKER. We are going to have a very large problem. We do have a large problem already, but legislatively, it obviously is going to be raised in this session of Congress, and I want to get the response of the administration to the matter of asbestos in the schools.

Would you go ahead and address yourselves to that subject?

CONGRESSIONAL ACTION ON ASBESTOS FUNDING

Secretary BELL. We received an appropriation which I think—Sally, what was it? $50 million?

Ms. CHRISTENSEN. No; we did not. I am sorry. The House allowed $50 million, but the Senate and the conferees did not go along.

Senator WEICKER. We cut it out, the reason being that we just didn't want to go off half-cocked. Obviously, the problem is far greater than $50 million.

Secretary BELL. It would have been puny anyway.

Senator WEICKER. We expected to do something comprehensive this last fiscal year, and that is where we are now, and that is why I am asking you to respond to that.

Secretary BELL. I am not certain if EPA is seeking funds in this area or not.

I agree with you that it is an enormous problem and one that we ought to be on top of more than we are.

Senator WEICKER. Well, let me do this because the matter is going to be raised clearly in committee and on the floor both, and the House will be doing its thing, and I would suggest that at the staff level, we immediately have discussions start and bring in whoever has to be brought in because there is no point in us wasting our time here.

Let's get some preliminary staff work done that can be of help in the committee's work.

Secretary BELL. I think that in the executive branch we will try to do some coordination there, and perhaps if the committees did likewise we could do a better job of coordinating this.

EXTENT OF ASBESTOS PROBLEM

Ms. CHRISTENSEN. It would be a very sizable program, Mr. Chairman, based on the EPA report, which said 14,000 schools are affected.

Senator WEICKER. You are darn right, it is sizable, and let me say this. There is no money being requested by the administration.

I don't find that too bothersome because there is still time to go ahead and do this. But I feel we are not going to get away with this budget being passed this year without some money in there.

Last year it was postponed strictly because we were expecting the study to come in. The study is now in, and I would suggest if we are going to come at it, we come at it in an intelligent way rather than just to pass some chunk of money on the floor or whatever, and it is certainly going to stay in there during an election year.

So, I would rather approach it in an intelligent way than an ad hoc way.

Ms. CHRISTENSEN. Based on the total report, it would be about a $700 million program, plus interest, because they are interest-free loans over a period of at least 20 years. So we are talking about a sizable chunk of money.

Senator WEICKER. Well, I would appreciate it if you would assign somebody from your staff to work with mine to get something formulated here, and at least, if the administration won't go along with any money, we ought to define what the dimensions of the problem are—but I would rather do that with everybody having full knowledge of the problem it has caused.

Secretary BELL. If your staff could be in touch with Mr. Bauer, we will try to be as responsive as we can on our side of it.

TERRITORIAL ASSISTANCE

Senator WEICKER. Among the programs proposed for elimination in your budget are the territorial teacher training and general aid to the Virgin Islands programs. Even assuming the proposed increase in the chapter 2 block grant, the Virgin Islands would still be about $1.7 million short of the amount they received in fiscal year 1984.

Have the educational needs of the Virgin Islands declined sufficiently that they no longer are in need of this specific assistance?

Secretary BELL. Sally?

Ms. CHRISTENSEN. Mr. Chairman, I would point out that the Virgin Islands, under the consolidation authority that the territories have for all of our programs, receive about $6.2 million each year. They can use this money under any one or all of the authorities.

For instance, they could use it under block grants to address any particular needs that they would deem are their highest priorities.

Senator WEICKER. According to your budget documents, the Virgin Islands can use their block grant allocation for "any of the educational activities that would have been undertaken" in the general aid to the Virgin Islands program.

Do you agree with this statement?

Ms. CHRISTENSEN. That is right.

Senator WEICKER. Isn't it true that the general aid program has been used mostly for construction and improvement of facilities, which are not allowable under the block grant?

Ms. CHRISTENSEN. I would have to check into what they have used this money for, but that is quite true. It has to be associated with a particular project.

Senator WEICKER. I wish I had the exact figures with me.

Ms. CHRISTENSEN. In fact, it has been used for classroom construction and general assistance—operational assistance moneys. I don't know the breakdown between the two.

Senator WEICKER. We are going to have to work something out, and I will tell you why we are going to have to work something out.

One-third—and I think it is more than that—of the population of the Virgin Islands is of school age, and I might add the status of unemployment on the islands is as high as it is in any city of the United States, if not higher.

The only way that we are going to resolve this problem in the Virgin Islands, and I don't mean to exclude any other territories, but this one I know of firsthand, is through education. Between one-third and one-half of the population is of school age. It is incredible, absolutely incredible, and never mind the proposed cut.

I want staff to sit down and address themselves to this problem in this budget because we are not talking about that much money. But we have to start somewhere, and as long as I sit as chairman of this subcommittee and also now chair the subcommittee that has jurisdiction over the U.S. territories and dependencies, we are going to start on it now.

So this is to me a priority item and one that should be resolved, and I think you will agree, Mr. Secretary, if you take a look at the figures, as staggering as they are, that this is not an appropriate response as it is contained in the budget.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Now, I have further questions, Mr. Secretary, for you for response to the record, and as I say, because of the time constraints—yours and mine—I am going to have to do just that.

I want to thank you for being with us today. I apologize for the late start, and I look forward to working this budget out.

Let me ask you one thing. Is it your hope that we can work out appropriations again this year rather than having a continuing resolution?

Secretary BELL. Oh, yes. I would hope we would. I know how pressed you are, but I would hope we could get it. It just helps considerably in that regard.

Senator WEICKER. Well, I do, too. We are not pressed at this point to where we can't do the job. The job should be done.

I thank you very much.

Secretary BELL. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

CHAPTER 2 BLOCK GRANT

Question: Over the past several years, numerous studies have pointed to the overwhelming successes of the Chapter 1 Compensatory Education for the Disadvantaged program in helping to upgrade the academic achievement levels of low income students. Your own budget justifications make mention of these successes. However, your budget would essentially "level fund" Chapter 1 at the FY '84 appropriation.

The Chapter 2 block grant, on the other hand, is a relatively new program, with no comprehensive studies on its effectiveness conducted to date, although you are planning a major study by the Stanford Research Institute to be completed by the summer of 1985. Yet you are proposing a 50% increase (+$250 million) for this program.

How do you justify such a significant increase in the Chapter 2 block grant without adequate comprehensive knowledge as to the States' use of, and effectiveness of, these funds?

Answer: The public interest in educational improvement is higher than it has been for many years. Spurred largely by reports of such groups as the National Commission on Excellence in Education, many States and school districts are developing plans and taking actions that will result in significant school reform. The Administration has been very impressed by these initiatives and is requesting additional funds that can be used to support and encourage State and local reform efforts. It is very important for school officials to be assured that the Federal Government knows it has a substantial interest in the improvement of our Nation's schools and is committed to doing its share.

Since Chapter 2 is clearly the best vehicle for carrying out this commitment, it is in this program that we decided to request the increase. It would be very difficult, if not impossible, to design a categorical program that could do the job as well.

While all States probably have needs for reform and improvement in their public school systems, problems and solutions vary from State to State. Some need to upgrade high school graduation requirements, some should overhaul their teacher credentialing system, and others have a real need for extensive professional development programs for school staff. Curriculum development is probably an area of need in every State, but some are strong in some academic disciplines and weak in others.

Chapter 2 is the only education program we have that is flexible enough to respond to these variable needs. Chapter 2 is also efficient. With a minimum amount of paperwork, it puts the money into the hands of those who are most knowledgeable about their educational needs -- State and local school officials.

Question: Wouldn't it be better to delay such a major increase in Chapter 2 until we have more complete information and instead put the funds into those programs of proven success?

Answer: Definitely not. The problems in our Nation's schools are too urgent and the public interest is too high to delay this effort. We don't need to wait to know Chapter 2 is the most appropriately designed program. We know that now. Putting the requested increase into other programs is not the answer. There is no other program that would enable States to direct funds at their discretion to the most urgent educational reforms.

CHAPTER 2 BLOCK GRANT

Question: Along with a 50% increase in the Block Grant, you are proposing to receive the full 6% set-aside for the Secretary's Discretionary Fund, which would amount to a total of $31 million for Discretionary Projects, up from $16 million in 1984.

Why are you requesting so much for "Discretionary Activities" instead of passing these funds on through to the States?

Answer: The Chapter 2 Block Grants offer the best opportunity to implement the reforms recommended by the Commission on Excellence and to provide Federal leadership. With increased funds, States and local schools can initiate improvements in such areas as upgrading high school graduation requirements, training teachers, developing experimental pay plans and expanding the school day or year. Also, it provides State and local officials with broad discretion over how to spend these funds so that they may develop approaches to education reforms based on local needs and priorities.

In addition to the flexible resources for State and local schools, the Block Grant authority provides a limited set-aside of discretionary funds. These funds enable the Secretary to exercise his leadership role, and meet the challenge for educational reform. These resources support research, development, demonstration and related activity of national significance designed to help State and local education agencies improve the quality of elementary and secondary education. Although these funds are not passed on to the States through Block Grants, States and localities do receive most of these resources by competing for awards in priority areas such as the merit pay/master teacher grants proposed for 1985.

Question: Specifically, what new initiatives would you begin with these funds in fiscal year 1985?

Answer: Specifically, the Secretary's Discretionary Funds support Federal level activities that complement State and local efforts to improve elementary and secondary education. For three programs mandated by the Chapter 2 legislation (Arts in Education, Inexpensive Book Distribution and the Alcohol and Drug Abuse Education) about $12 million is proposed. Another $10 million will be used to continue support for the National Diffusion Network. The majority of the remaining funds will be awarded on a competitive basis to States and localities for planning and demonstrating the implementation of teacher incentive structures.

The Commission on Excellence identified improving the quality of elementary and secondary level teaching as an urgent unmet national need. The Commission highlighted the fact that teaching tends to attract the least academically able students and that

teacher salaries are low and related more to longevity than performance. In order to address these findings on teaching, the Secretary proposes to make several hundred grants that demonstrate the value of teacher incentives or pay structures that lead to master teacher or other elevated career rankings such as those found in higher education. While the design of these programs would be left to State and local discretion, the structures would have to include well-specified performance standards combined with a teacher evaluation system, and provision for staff development and inservice training. The Secretary is particularly interested in encouraging merit pay/master-teacher proposals in collaboration with institutions of higher education.

To focus attention on the goal of excellence, the Secretary will also continue support for the Presidential Academic Fitness Program. This effort is intended to motivate elementary, junior/middle school students and high school seniors by recognizing academic fitness. Approximately 2 million students from public and private schools are expected to receive awards in 1985. The Secretary will also use the discretionary funds to cover a portion of the cost of the congressionally-mandated study of Chapter 1 programs and for 3-2-1 CONTACT, the science television program for children ages 8-12.

STAFFING

Question: Do you really think you can do as good a job as I think you want to do with 218 fewer people this year? Is this a case, once again, of OMB's giving a number to back into?

Answer: I believe the Department will be able to carry out its responsibilities fully and effectively with a full-time equivalent staff of 4,979 in fiscal year 1985. That staffing level was arrived at jointly by officials of this Department and the Office of Management and Budget.

Question: How do you propose to go about eliminating these positions? How many are support and overhead staff? How many are professional program analysts or specialists?

The 1985 ceiling will be achieved through two major initiatives, these being the continued increase in the use of contractors for the collection of defaulted student loans and a reduction in the number of admininstrative and overhead positions in the Department. Increased reliance on loan collection contractors will allow us to reduce employment in the Office of Postsecondary Education by approximately 70 FTE, even as our debt collection targets increase. The remainder of the reduction will be achieved by reducing administrative and management positions throughout the Department.

We expect to be able to reach the 1985 FTE level with a minimum adverse impact on direct program administration by filling vacancies in direct program positions and leaving unfilled those vacancies that occur in overhead positions. We currently estimate that by selectively filling vacancies in this manner, we can reach our 1985 level without eliminating direct program positions and without resorting to reductions-in-force.

Most of the reductions in FTE -- outside of the loan collectors -- will come from overhead and support staff. Because program specialists are, almost without exception, involved in direct program administration, very few such positions will be affected.

HIGHER EDUCATION CAPITAL IMPROVEMENT NEEDS

Question: The most recent estimate of the need for capital improvements at our colleges and universities was put at more than $40 billion.

What is your view with regard to how we should handle this problem of "crumbling infrastructures" at our colleges?

Answer: The last decade's several years of high inflation, rapidly increasing institutional energy costs, and generally declining levels of discretionary resources at State and local government levels resulted in the imposition of budget restrictions at colleges and universities across the country. We recognize that these several years of "lean" higher education institutional operating budgets sometimes translated into deferral of facilities construction, renovation, and maintenance.

Without a doubt, this neglect of facilities and equipment maintenance, repair, and replacement has evolved into an "infrastructure" problem of some magnitude at the higher education level.

We believe firmly, however, that fundamental responsibility for postsecondary institutional support lies with State and local governments and with taxpayers at those levels. We also believe that the private sector should play a role in institutional support --both public and private. We do not believe that the Federal Government should assume responsibility for maintaining the physical plant of either public or private institutions of higher education--especially when we are attempting to restrain spending at the Federal level.

The appropriate Federal role is one that simply supports the goals of ensuring access to higher education and individual choice in pursuit of that access. Accordingly, the Administration's postsecondary education policy continues to emphasize student aid rather than institutional aid. We are further committed to encouraging and facilitating increased levels of private sector support for higher education.

The Administration has played a significant role in aiding State and local governments and their taxpayers, as well as the private sector, in supporting postsecondary institutions. This has been accomplished through an economic recovery program and policies that have succeeded in generally revitalizing the Nation's economy. Lower inflation, lower interest rates, lower Federal taxes, tax policies supportive of private sector/education partnerships and other manners of support, simplified manners of Federal assistance to State and local governments and--where reasonable--less burdensome Federal regulation have all contributed to enhancing the financial commitment that State and local governments and the private sector can make to higher education.

This economic revitalization has also strengthened the buying power of limited higher education dollars. For example, given the total current higher education expenditures of over $64 billion, the nine percentage point decline in the rate of inflation since 1981 has protected the purchasing power of about $5 billion--nearly equaling the entire Federal budget for postsecondary education.

OFFICE FOR CIVIL RIGHTS - MAIL

Question: In 1982, we understand that you used $2 million of the Office for Civil Rights appropriation for mail costs, and that in 1983, $4 million was used for this purpose. In 1984, we have provided an increase of about $7 million for OCR in order to raise the number of positions to 1,046. Yet, the budget indicates that you have no intention to fill these positions. You further indicate that the amount unspent for this year could be as high as $7 million.

Since you apparently are not planning to follow Congressional staffing directives for 1984, what do you intend to do with these unspent funds?

Answer: As explained on pages 296-297 of the Congressional Justifications, we do plan to comply with the directive as modified by the Conference Report, i.e., we would provide the recommended staff level for OCR, but only if we could do so without reducing the ceilings of other offices in the Department.

Funds appropriated for the Office for Civil Rights for 1984 are planned for use by that office. Should all planned expenditures not be made, some funds will lapse.

Senator Proxmire: Was it your decision that the position level approved by Congress in order to handle the increased caseload required by the Adams order should not be met?

Answer: We believe that the Office for Civil Rights will be able to carry out its judicial and statutory responsibilities, including those mandated under the Adams order, with the level of staff they have currently been allocated.

DEPARTMENTAL MANAGEMENT PERSONNEL

Question: The Office of Special Education and Rehabilitative Services oversees programs totalling over $2 billion and now has about 452 employees--scheduled to go down to 436 for fiscal year 1985.

The Office of Educational Research and Improvement, which oversees programs totalling about $145 million now has about 476 employees and is scheduled to go down to 457 for fiscal year 1985.

We can't help but notice that NIE, with a budget of less than one-tenth that of Special Education and Rehabilitative Services, appears to be extremely top heavy.

How do you justify the fact that a budget which is over 10 times larger than NIE's has 24 fewer people?

Answer: The size of a program budget in terms of dollars is not the sole measure of the number of employees required to administer it. In this case, the Office of Special Education and Rehabilitative Services (OSERS) administers several State grant formula programs which support vocational rehabilitation services and education of the handicapped. These activities are budgeted at more than $2 billion which is 90 percent of OSERS fiscal year 1985 program budget request. These primarily formula-type programs require less direct scrutiny and oversight and are, therefore, less labor intensive. In contrast, the research contracts and grants administered by the National Institute of Education, a component of the Office of Educational Research and Improvement (OERI), require more staff to award and monitor.

The fiscal year 1985 salaries and expenses budget for OERI requests a total of 457 full-time equivalent positions, of which 242 FTEs would be allocated specifically to NIE. NIE's proposed fiscal year 1985 program budget is $54.2 million, about one-twentieth that of OSERS. NIE funds grants to support the conduct of educational research and development. Its research agenda is based upon wide consultation with the educational community to ensure that planned research activities are focused on the critical national educational issues. These types of labor intensive activities require more staff than formula grants.

OFFICE FOR CIVIL RIGHTS - GROVE CITY

Question: What do you believe the interpretation of the Grove City ruling will be on Title VI of the Civil Rights Act and the anti-bias provisions (Section 504) of the Rehabilitation Act and what impact do you think it will have insofar as the Office for Civil Rights is concerned?

Answer: It's fairly clear that the interpretation the Supreme Court gave to the term "program or activity" in Title IX, should apply to that term as it appears in Section 504 and Title VI. The three statutes virtually track each other and there is no reason for concluding that Congress intended the term to have different meaning from statute to statute. The purposeful selection of virtually identical language for all three further supports this conclusion. Moreover, since the Supreme Court has recognized the analogous nature of the civil rights statutes, there is little reason to believe that it intended its interpretation be confined to the immediate statutory context.

OCR may only investigate allegations of discrimination if the discrimination is alleged to have occurred in "program[s] or activit[ies]" which receive assistance from this Department. While this has always been the case, the Supreme Court's decisions will require that OCR pinpoint, prior to investigating the substantive allegations, the origins and uses of financial assistance which flows from this Department to the institution under investigation. Since pinpointing of this nature has not been necessary in the past, it could require additional work on the part of OCR staff.

On the other hand, this new preliminary step may result in enough complaints being dismissed without substantive investigation that the net effect will be a decrease in workload. We cannot, at this time, estimate with certainty the net effect of the decision on OCR workload.

ASBESTOS

Question: For fiscal year 1984, Congress determined not to fund a start-up program of low interest loans to schools for asbestos abatement because a report on the extent of the problem, which this subcommittee had requested, was not received in time for consideration on the fiscal year 1984 appropriation bill. The report which subsequently was received estimated that potentially hazardous asbestos is present in 14,000 public and private schools at an estimated removal cost of about $1.4 billion. Do you believe the Federal government has a role to play in the removal of asbestos from the schools?

Answer: We believe that the role is a shared one among Federal, State and local levels of government. The Federal Government does have the responsibility to provide information and technical assistance to assist State and local authorities to recognize the dangers of asbestos and develop procedures to alleviate that danger, as we are doing under the authority of the Toxic Substances Control Act and the Asbestos School Hazard Detection and Control Act. The Federal Government is also responsible for schools that were built with Federal funds and for which the Federal Government holds title. Funds available to these schools for remodeling and construction under Section 10 of the Impact Aid program may be used to remove asbestos. For fiscal year 1984, we estimate that about $2.5 million has been committed for asbestos removal in federally owned schools.

Question: In light of the financial burden that this problem presents to the school districts, what is your justification for not including a request for funds in the fiscal year 1985 budget?

Answer: The Administration did not request any funds because it believes the responsibility for funding removal of asbestos from local schools should be assumed by the local education agencies, just as they presently bear the burden for other health and safety measures.

Question: Is part of the reason for your lack of a request due to the fact that you don't believe the Department of Education is the proper administrative unit for a program of this type?

Answer: No, the Asbestos School Hazard Detection and Control Act assigned certain tasks to the Department of Education. The Department is carrying out those tasks as it interprets them. The lack of a request for funds does not result from an administrative failing but is a statement of policy. The Department believes that provision of funds to remedy a local problem is the responsibility of local government.

Question: Since the requirement that schools identify the existence of asbestos comes from the Environmental Protection Agency (EPA), do you think a Federal asbestos program would be more appropriate housed within the EPA? Is EPA's staff more equipped to deal with the asbestos problem than the Department of Education?

Answer: We would not favor establishment in the Environmental Protection Agency of a program of Federal financial assistance to schools. However, we believe there may be advantages to consolidating within EPA the existing Federal responsibilities for technical assistance and information gathering and dissemination. These responsibilities are currently divided between the Asbestos Hazards School Safety Task Force, housed within the Department of Education, and EPA, an agency with greater technical expertise on asbestos-related health problems and on procedures for asbestos detection and control. We would be open to working with EPA, the Office of Management and Budget, and the Congress to determine whether consolidation of these activities within EPA would provide for a more effective technical assistance program, possibly yielding some administrative savings.

Questions Submitted by Senator William Proxmire

DEBT COLLECTION AND LOAN DEFAULTS

Senator Proxmire: Mr. Secretary, the Department's briefing documents transmitted to the Subcommittee last January touched on its loan defaults as well as its collection goals for fiscal 1984 and fiscal 1985. The $2.5 billion in loan defaults for the current fiscal year and the $3 billion estimated in fiscal 1985 represent a significant reduction below the total amount of outstanding debt you reported last year--namely $4.8 billion. Did you write off a substantial amount of the $4.8 billion or did you actually collect $2.3 billion in outstanding debt last year?

Answer: The $4.8 billion amount you mentioned from last year's report reflects only the cumulative outstanding Federal capital contribution to the National Direct Student Loan (NDSL) revolving fund and the cumulative amount of institutional contribution outstanding on NDSL defaulted loans assigned or referred to the Department for collection. This amount is a portion of the $10.4 billion in outstanding loans directly receivable to the Department as of the end of fiscal year 1983. In addition to the $4.8 billion described above, this $10.4 billion includes amounts for Guaranteed Student Loans (GSL), Law Enforcement Education loans, Cuban loans, Higher Education Facilities Loans, College Housing Loans, and loans to nonprofit, private (elementary and secondary) schools. Of this $10.4 billion, $2.5 billion was in a defaulted/delinquent status. However, it should be noted that the derivation of an overall Department default rate by comparing these two figures would be inappropriate. The $2.5 billion figure includes amounts for defaulted GSLs, which were insured by guarantee agencies, and for the institutional contribution on defaulted NDSLs assigned or referred to the Department, whereas the $10.4 billion figure excludes comparable amounts for these types of funds not in default status. The following table provides figures for total outstanding loans directly receivable to the

Department, loans in default/delinquent status, and collections for the Department.

Status of Loans Receivable
($ in 000s)

	1983	1984	1985
Outstanding Loans Directly Receivable, end of year 1/	$10,353,568	$10,989,982	$11,410,022
Outstanding Defaulted/ Delinquent Loans 2/	2,470,338	3,034,678	3,563,340
Annual Department Collections	115,490	173,855	289,231

1/ Excludes GSL loans directly insured by the Department, GSL loans insured by guarantee agencies and reinsured by the Department, and the institutional contribution for NDSL loans not assigned or referred to the Department for collection.

2/ Includes GSL reinsured defaulted loans and the institutional contribution for NDSL assigned/referred loans, as well as other loans in default/delinquent status.

Senator Proxmire: If it was a combination of both write off and actual collection, how much for each and why did you feel that any write offs were necessary?

Answer: As indicated above, the $4.8 billion figure is not directly comparable to the $2.5 billion figure. In fact, the outstanding loan amount in default/delinquent status rose from $1.8 billion as of the end of fiscal year 1982 to $2.5 billion in fiscal year 1983, despite Department collections of $115 million.

Senator Proxmire: It looks as if you're falling behind in fiscal 1985 when loan defaults would go up by 20 percent. Why can't you hold your own?

Answer: Although the total amount of Department loans in default/delinquent status is expected to increase by about 17.4 percent in fiscal year 1985, this increase is solely due to increases in defaulted Guaranteed Student Loans (GSLs). In turn, the increase in GSL defaults is primarily attributable to a larger volume of loans entering repayment and subject to default. New loan volume jumped dramatically, from about $4.6 billion in fiscal year 1980 to $7.4 billion in fiscal year 1981. To counteract this increase in defaults, the Department is not only continuing and expanding current default prevention and collection activities, but is also implementing, through regulation, increased and more uniform lender due diligence requirements. In addition, the Department proposes to reinsure loans at 80 percent, rather than 100 percent, in order to provide greater incentives for guarantee agency improvements in default prevention and collection. These efforts are expected to result in substantial increases in collections, as well as a decrease in the GSL default rate by fiscal year 1989.

DEPARTMENT COLLECTIONS

Senator Proxmire: How many programs are we talking about for which the Department has collection responsibility? I count six: (1) guaranteed student loans; (2) direct student loans; (3) cuban loan program; (4) law enforcement education program; (5) college housing loan program; and (6) higher education facilities loans.

Answer: The Department is currently responsible for collecting defaulted/delinquent accounts in seven programs. In addition to the ones you mentioned, the Department collects defaulted loans to nonprofit, private schools. However, these loans to private, nonprofit elementary and secondary schools, authorized under Title III of the National Defense Education Act, represent a very small portion of the Department's collection responsibilities. Only $52,000 in this program remained outstanding in default/delinquent status as of the end of fiscal year 1983.

Senator Proxmire: Please let us have a complete list of all the programs involved and, in the aggregate for each program, indicate the total amount in default since 1980 and your collection goals for each program for fiscal years 1984 and 1985. For the direct and guaranteed student loan programs, please also include the total amount of defaults held by schools as well as by State and nonprofit guarantee agencies for each of the years requested. What I'm looking for is an overview of the Department's loan defaults and debt collection goals as well as the outside data regarding guaranteed and direct student loans.

Answer: The programs involved are: Guaranteed Student Loans; National Direct Student Loans; College Housing Loans; Higher Education Facilities Loans, Law Enforcement Education Program, Cuban Student Loans; and, Loans to Non-Profit Private Schools. The following tables display the outstanding loans in default/delinquent status for each of these programs for fiscal years 1980 through 1983, as well as the collection goals for these programs for fiscal years 1984 and 1985:

Outstanding Defaulted Loans
($ in millions)

	1980	1981	1982	1983
Guaranteed Student Loans:				
FISL	$620 1/	$624 1/	$627	$690
Reinsured Loans	504 1/	673 1/	829	1,148
Total	1,124	1,297	1,456	1,838
National Direct Student Loans:				
Assigned/Referred to the Department	--- 3/	163	295	416
At Schools 2/	--- 3/	--- 3/	704	661
Total	--- 3/	--- 3/	999	1,077
College Housing Loans:	--- 4/	--- 4/	116	115
Higher Education Facilities Loans:	39 5/	39 5/	36	36
Law Enforcement Education Program:	--- 6/	--- 6/	14	48
Cuban Student Loans:	--- 6/	--- 6/	16	18
Loans to Non-Profit Private Schools:	--- 6/	--- 6/	--- 7/	--- 7/

1/ Breakouts of total outstanding defaulted loans by FISL and guarantee agencies reflect actual claims paid and exclude unpaid claims at the end of the year.

2/ The Department does not have direct collection responsibility for these defaults unless they are assigned or referred to the Department for collection.

3/ Comparable data not available.

4/ Prior to fiscal year 1982, this program was not administered by the Department of Education; accordingly, data on loan default levels for fiscal years 1980 and 1981 are not available.

5/ Estimates; prior to fiscal year 1982, comparable data on loan defaults levels not reported for purposes of the President's budget.

6/ Prior to fiscal year 1982, comparable data on loan defaults levels not reported for purposes of the President's budget.

7/ Amounts are less than $1 million. FY 1982 = $62,000. FY 1983 = $52,000.

Defaulted Loans Collections Goals
($ in millions)

	1984	1985
Guaranteed Student Loans:		
FISL	$68.2	$113.9
Reinsured Loans	78.2	112.6
National Direct Student Loans:		
Assigned/Referred to the Department	31.9	68.3
At Schools 1/	55.1	57.1
College Housing Loans:	5.3	5.3
Higher Education Facilities Loans:	1.5	1.5
Law Enforcement Education Program:	0.8	7.7
Cuban Student Loans:	1.6	3.3
Loans to Non-Profit Private Schools:	--- 2/	--- 2/

1/ The Department does not have direct collection responsibility for these defaults.

2/ Collection goals are $25,000 for FY 1984 and $27,000 for FY 1985.

FEDERAL EMPLOYEE DEFAULTS

Senator Proxmire: Last year when we discussed the issue of student loan defaults by Federal employees, you advised that the Department intended to take appropriate action in conjunction with other Federal agencies. How successful were you in narrowing the Federal employee default gap?

Answer: The Department originally identified 46,860 Federal employees and retirees in default on $67 million in federally sponsored student loans. Data now indicate that 35 percent of those originally identified have since left Federal service. All of the identified remaining current employees and retirees were notified by the Department of their default status during December 1982 and January 1983 through computer-generated letters. Non-respondents to these letters were then again notified by their employing agency from August 1983 to March 1984. As authorized by the Debt Collection Act of 1982, final salary offset regulations were published in the Federal Register on February 27, 1984. These regulations become effective March 28, 1984. During April 1984, the Department plans to notify current non-respondents that salary offsets will begin in the next few months.

As of December 1983, more than $4 million had been collected, including $1.6 million on 2,369 accounts which were paid in full. An additional 631 accounts valued at $609,000 were resolved. Another 6,700 accounts had re-entered repayment and will result in nearly $10 million in collections. In addition, many of the employees of Federal agencies, including active duty and reserve personnel had not been notified of the potential for salary offsets prior to the compilation of collection figures in December 1983. These notifications, as well as actual salary offsets, are expected to result in further substantial improvements in collections.

Senator Proxmire: How much is still outstanding and what are your collection targets for the current fiscal year and fiscal 1985?

Answer: Of the $67 million originally identified, more than $4 million had been collected by December 1983, resulting in about $63 million still outstanding. However, collections are expected to reach $7 million in fiscal year 1984 alone and $15 million in fiscal year 1985, with the total cumulative collections reaching $30-40 million by the end of fiscal year 1986. In addition, estimates indicate that about 35 percent of those employees originally identified in the match have since left Federal service. These accounts will be removed from this project, with collection activity being continued on these accounts under the Department's regular collection programs.

EDUCATION APPEAL BOARD

Senator Proxmire: An audit concluded several weeks ago by the Inspector General regarding the Education Appeal Board has revealed some rather serious deficiencies. For example, the audit disclosed that the Board is not closing appeal cases in an expeditious manner and, as a result, millions of dollars are tied up in lengthy appeals which, in effect, provide interest-free loans to grantees. As you know the Department does not currently collect interest on audit-related debt and allows grantees to retain disallowed costs during the appeal period. Since 1982, the audit revealed, the Department has lost over $6.3 million of interest on audit debts of $47.6 million. This amounts to more than $15,000 per day. I understand the Department is currently preparing proposed regulations to charge interest on its audit-related debts.

How far along are you with this process and what's your timetable for final action?

Answer: The audit identified problems of the Appeal Board that have developed over its eleven year life span. To find answers to these problems I have initiated a complete management review to be made of the Board structure, procedures, and operations with a requirement for recommendations to both eliminate the current backlog and prevent a reccurence in the future. The report is expected to be presented to me before the end of March and we anticipate having a complete plan of action established by the end of April. I will be glad to provide you a copy of that plan as it is finally developed.

Question: OMB Circular A-50 Revised issued 2 years ago clearly states that "interest on audit-related debt shall begin to accrue no later than 30 days from the date the auditee is notified of the debt. To discourage unwarranted appeals, interest shall continue to accrue while an appeal is underway." What's taken you so long to implement Circular A-50?

Answer: The Department's implementation of that portion of OMB Circular A-50 which requires assessment of interest on audit created debts during the period of appeal was delayed pending a determination of how our action would be impacted by the Debt Collection Act of 1982 (P.L. 97-365), enacted on October 25, 1982. This act includes language that excludes agencies of State and local governments from the assessment of interest. The question arose as to whether the Debt Collection Act abrogated our common law right to assess interest against agencies of State and local governments.

The question became a Government-wide issue as the notice of proposed rule-making, published jointly by the Attorney General and Comptroller General to revise the Federal Claims Collection Standards (4CFR 101-105), included the language of the Debt Collection Act of 1982 to exclude agencies of State and local governments from the assessment of interest. As a result of comments made by Federal agencies, the Department of Justice advised that the courts have held that a statute should not be construed in derogation of the common law unless legislative intent to do that is clear. They further advise there is no indication that the Debt Collection Act was intended to abrogate the Government's common law rights.

With this clarification, we have now developed a notice of proposed rulemaking for the sharing of interest and project the publication of a final regulation by early fall of 1984.

EDUCATION APPEAL BOARD

Senator Proxmire: The IG's audit also commented on the under-utilization of the 29 member Appeals Board. In January of last year, for example, 14 members were not assigned to cases even though there were 35 cases awaiting attention. Apparently, Board Members are not assigned to cases until four months or longer after appointment. Three Board Members served for a year or longer with having been assigned to a case. How could this have been allowed to happen?

Answer: A variety of circumstances contributed to this situation. Problems in retaining staff for the Board Chairman resulted in delays in assigning cases to panels. An unusually high turnover of Board members made it difficult to determine which members should be given new cases; this is especially true considering that cases can be expected to take six months to a year to resolve, even under the best of circumstances. There are also always certain Board members who are either not sufficiently experienced to be assigned as panel chairpersons or who, for some period of time, are not available to serve at all.

Senator Proxmire: The Inspector General recommended that the Board Chairman take immediate action to improve caseload management practices in the areas of unassigned and under-utilized members. What's happened in this regard since the report was transmitted 2 months ago?

Answer: The Board membership has stabilized and the Board Chairman has now has a full staff. These improvements alone should result in much improved utilization in the future. In addition, the Secretary is considering a number of options to further improve the operation of the Board.

Senator Proxmire: The Inspector General also recommended that consideration be given to establishing a staff of full-time permanent Board members similar to that used in the Appeals process by other agencies. Have you thought about taking such action?

Answer: The Department intends to examine all viable alternatives in taking action to eliminate the Board's backlog.

EDUCATION APPEAL BOARD

Senator Proxmire: What was the total cost of Appeals Board operations - excluding Federal employee salaries - in fiscal 1983?

Answer: Excluding employee salaries, the costs for the board totalled $47,623.32 in fiscal year 1983.

Senator Proxmire: Please let us have a breakdown of these costs by object class.

Answer: These costs are broken down as follows:

Board members' salaries/benefits	$31,063.95
Travel	12,404.50
Telecommunications	378.02
Other Services (Contracts, Printing, etc.):	3,776.85
Total:	47,063.32

Senator Proxmire: How much will Appeals Board operations cost in the current fiscal year and fiscal 1985? Again, break out these costs by object class.

Answer: The cost estimate for both 1984 and 1985, which is $63,000, are broken out as follows:

Board Members' salaries/benefits	$41,900
Travel	16,600
Telecommunications	500
Other Services (Contracts, Printing, etc.)	4,000
Total	63,000

TEACHER REFORM

Senator Proxmire: Mr. Secretary, I'm delighted to learn that you plan to address the critical issue of teaching itself next year. As you point out in your testimony, the National Commission on Excellence reported that the teaching profession tends to attract the least academically able students and teacher salaries are related more to longevity than actual performance.

One critic of the current State of the teaching profession -- a retired school superintendent from New York City states -- and I quote: "The teaching profession has become a refuge for second-raters and those looking for a lifetime position from which they cannot be dislodged even for glaring incompetence, thanks to spineless administrators and teachers' unions. The philosophy of academic egalitarianism which grants access to higher education to all, regardless of past achievement, makes it possible for dullards and misfits to enter teaching." The complete article appeared in the Department's November, 1983 issue of American Education. The author doesn't mince any words. As a former teacher, would you care to comment?

Secretary Bell: Teaching is a noble profession and we should all be supportive of able and dedicated teachers. I am proud to be a teacher.

There appears to be general agreement among critics of the teaching profession on two issues: (1) the academic quality of the teaching force, as measured by achievement test averages, is not as high as it should be; and (2) salary schedules based on experience and graduate course work should be changed to reflect performance as well. (I stress the word average above to emphasize the obvious: there are many teachers above the average, just as there are many below it). But these two issues do not fully define the problems that must be addressed in order to improve teaching. The National Commission summarized several other problems affecting the teaching profession, including the following: teacher preparation programs need substantial improvement, the professional working life of teachers is unacceptable, serious shortages of teachers exist in key fields, curricula and instructional materials need improvement and teachers' salaries are too low to be competitive with those of other professions.

The Commission developed seven recommendations to respond to these concerns, including raising admissions standards for teacher preparation programs, raising salaries and relating them to performance, and developing incentives to address the immediate problem of shortages of mathematics and science teachers.

There is a trend toward higher admissions and graduation requirements for schools of education. States are amending certification and retention standards and are establishing competency tests for beginning teachers. The public outpouring of concern and support for education--along with better compensation for better teaching, greater parental and community support and better school environment--will help attract capable individuals with an aptitude for teaching. These changes will also help us retain our brightest and ablest teachers. I think there is a climate and cooperative

spirit which will foster higher standards and higher performance with appropriate accountability and recognition.

From the 1984 discretionary funds now available to the Department, I have approved 51 projects focusing on developing career ladders for teachers and encouraging incentive pay systems. Funding of these projects depends on the outcome of litigation in Chicago regarding the Secretary's Discretionary Fund. In 1985, I hope to be able to use discretionary funds to continue to take advantage of the great current momentum for teacher improvement and reform.

Senator Proxmire: I understand that two States -- Arizona and Florida -- enacted legislation a few years ago requiring applicants for teaching positions to pass a literacy test. Can you tell us whether other States have set this sort of Statewide standard?

Secretary Bell: The February 15 issue of Education Week reported a study by J.T. Sandefur, Dean of the College of Education at Western Kentucky University, on competency testing programs for teachers. Thirty States had approved testing programs as of last fall and 12 States were studying the issue. Twenty States, including Arizona and Florida, have already started using the tests which examine such factors as basic skills, professional or pedagogical knowledge, knowledge of major academic fields, and on-the-job skills.

Senator Proxmire: In the same vein, do you have any statistics concerning the number of States which have initiated curriculum reform or strengthened high school graduation requirements?

Secretary Bell: As of November 15, 1983, 42 States reported initiatives in the area of curriculum reform and 44 States in the area of graduation requirements. These initiatives ranged from task force studies to proposed recommendations to new mandates. My staff is currently compiling an updated report on these and other reforms which will be available in early May. I will make sure you receive a copy as soon as it is released.

EQUAL EMPLOYMENT OPPORTUNITY

Senator Proxmire: Mr. Secretary, the Equal Employment Opportunity data provided last year indicated that 35 percent of your GS-12 and above jobs were held by women and 34 percent of these were minority women. That's a pretty good record but have you increased these percentages over the past 12 months?

Answer: In the past few years the Department's workforce has decreased; however, we have been successful in maintaining the representation of women in jobs of GS-12 and above at 35 percent, of which 37 percent are minority women.

Senator Proxmire: Do you have any specific goals for increasing these percentages in fiscal years 1984 and 1985?

Answer: No; however, opportunities for women already on board will be enhanced by providing training opportunities, lateral reassignments and creating advance opportunities to higher graded positions as vacancies occur.

PRODUCTIVITY

Senator Proxmire: Last year, Mr. Secretary, you advised that the Department did not have a productivity measurement system--by that I mean a way of relating agency output to the number of employees. You did indicate, however, that you would study the issue and incorporate as much productivity measurement as possible into your operation. Can you tell us what progress has been made over the last 12 months?

Answer: We now have a department-wide management action plan for a productivity program which lays out our short- and long-range plans for the program. As part of this plan, we have written and initiated a contract statement of work for the design and implementation of the department-wide productivity measurement system. Current plans are to let this contract via an interagency agreement with the Office of Personnel Management which has an existing contract agreement with a management consulting firm.

Senator Proxmire: Do you have any productivity targets for fiscal years 1984 and 1985 and, if so, what are they?

Answer: At the present time, we do not have any targets but plan to incorporate a set of targets within the productivity measurement system.

HOWARD UNIVERSITY

Senator Proxmire: Mr. Secretary, the Heritage Foundation has recommended that Federal support of Howard University be phased out over three years beginning in fiscal 1985. A report issued recently regarding the President's budget indicates that Federal funds comprised more than 60 percent of Howard's 1982-83 budget and represented a subsidy of over $12,000 per student. Why should we continue to invest so much in this institution?

Answer: Howard University, established in 1867, is the Nation's only major comprehensive university with a special mission to provide educational opportunities for Blacks and other minorities. The Federal Government began to appropriate funds for Howard in 1879 because it offered many students an opportunity for education that they would not otherwise receive. The fact that 50 percent of all Black physicians and dentists in the U.S., as well as many other leaders, attended Howard demonstrates the role that the school has played in providing necessary postsecondary education to an often disadvantaged segment of our population. The entire country has benefitted from its existence.

Although Blacks now have more opportunities to attend college than in Howard's earlier years, the University continues to be a unique school rich in tradition and diverse in its educational offerings. As an investment, the Federal support is likely to be returned many times over by graduates who will lead more productive lives, contributing both taxes and personal achievements to society. In the absence of large private support for the University or high tuition that cannot be paid by many of the students traditionally served, Federal funding is necessary.

For its part, Howard has recently intensified efforts to obtain private contributions and it has also raised tuition. In addition, the Administration has proposed a new endowment fund to encourage private individuals to give more funds to Howard and to provide an incentive for Howard to solicit matching funds.

GRACE COMMISSION

Senator Proxmire: The President's Private Sector Survey on Cost Control came up with 60 specific recommendations for the Department designed to save up to $595.2 million in the first year, $835.6 million in the second year, and $941.6 in the third year. What portion of these recommendations are reflected in the budget request in terms of dollar savings?

Answer: The Department's response to the PPSSCC report is now undergoing final review and clearance prior to our discussions with OMB and the White House. Since we have not yet had the opportunity to review the report with OMB, the White House, or PPSSCC staff, our positions on the recommendations remain tentative. We do agree with many of the concerns raised by the PPSSCC, and are already substantively addressing at least 51 (or 85 percent) of the 60 recommendations in ongoing and planned management improvement initiatives, including those of Reform 88. Through such initiatives as improving debt collection, internal controls, cash management and others, we expect to yield cost savings on the order of over $200 million in fiscal year 1984 and $400 million in fiscal years 1985 and 1986. These amounts are not reflected in the budget request because they remain tentative estimates and because many of them are not directly attributable to specific programs. Most of the savings will accrue to the Treasury as outlay reductions rather than reducing our budget authority in Education.

Senator Proxmire: Can you describe briefly how these savings will be accomplished?

Answer: Because we have not yet determined exactly what our response to the report will be, it is not possible to explain how any savings so realized will be accomplished. However, an example would be a reduction in interest paid by the Treasury because of improved cash management at the Department.

Senator Proxmire: Also, please let us know how many of the task force's reform initiatives will not be followed and the basis for the disagreement. What I'm looking for is a line or two describing the recommendation the estimated dollar saving - and the reason behind the rejection. Perhaps you could discuss some of the major recommendations for us now and provide details for the record.

Answer: When the Department has finalized its response to the report, it will be available for review by the committee. Until that time, however, it would be premature to discuss the specifics requested above. We can say, however, that the large dollar savings recommended by the Grace Commission would require significant changes in student loan legislation. The Administration has not proposed these amendments this year.

MAIL AND COMMUNICATION

Senator Proxmire: You are projecting an increase of more than 22 percent in mail and communication outlays in fiscal year 1985. Why such a large increase in these expenses?

Answer: Most of this increase is related to telecommunications where the divestiture of AT&T has created additional costs for our Department. Such things as increased local rates, line surcharges, purchase of equipment, repair services, and a system for inventory of equipment are all costs which were formerly handled by the local phone company and which the Department, as well as other agencies, must now budget for. Additionally, a portion of the increased telecommunications costs are associated with the Department's initiatives related to ADP improvements.

BENEFITS FOR FORMER PERSONNEL

Senator Proxmire: Last year at this time you estimated outlays of $161,000 in fiscal year 1983 to pay benefits for former personnel. You ended up spending $351,000. Can you explain why your actual expenditures were so much greater than your estimated outlays?

Answer: Our actual obligations for benefits for former personnel in 1983, as reflected in the President's budget appendix, were $351,000. This amount includes $173,000 for unemployment compensation costs, which we are prohibited from budgeting for, and $178,000 in severance pay costs. Because the Congressional Justification displays budget authority only, it does not show the costs of unemployment compensation. Our last year's estimate of $161,000 for other benefits for former employees should be compared to the comparable figure of $178,000 as presented on page 288 of the Congressional Justification.

Questions Submitted by Senator Mark Andrews

TRIO

Senator Andrews: Last year, the Administration sought to cut the budget for TRIO programs by $35 million. This would have left the level of funding for these programs at $154.7 million. The response by both the House and Senate was to increase this amount by $10 million raising the level of spending to $164.7 million. I interpret this as a clear signal to the Administration that Congress views the TRIO programs as serving a vital educational need. Why then has the Administration again attempted to substantially cut funding for TRIO, this year decreasing the amount by one half?

Answer: Last year, the Administration sought to reduce funding for the Special Programs for the Disadvantaged, popularly known as the TRIO programs, from $154.7 million to $35 million. This decrease was proposed along with a number of legislative changes designed to better target the funds to institutions that were enrolling large numbers of students from low-income families. When the changes were not adopted, we again made a thorough review of the TRIO programs. We feel that our 1985 budget request of $82.4 million for this program would adequately fund our new legis-

lative proposals. Our proposals would simplify these programs, reduce administrative burdens, and provide a more equitable and effective distribution of Federal funds.

In addition, the Department's proposals will continue to provide financial support to help meet the educational needs of socioeconomic disadvantaged individuals and to broaden access to postsecondary education for these students. Furthermore, we feel that our proposals complement the Federal investment in student financial assistance.

The Department's proposals include consolidating the very similiar Talent Search and Educational Opportunity Centers programs into a new Talent Search and Assistance program and eliminating the Staff Training. This would eliminate duplication of services under the current programs which are similar in scope. Although we have not requested funds for these programs in 1985, their activities would be allowable under the Special Services and Upward Bound programs for which we are seeking funds. Special Services grantees would be required to share increasingly in the costs of their projects and to "graduate" from the program. The Upward Bound institutional participants would be required to provide 10 percent of project costs and the consolidated Talent Search and Assistance program would require institutions to meet 25 percent of costs. We feel that these programs have proven successful and now should be increasingly supported at the local level.

Senator Andrews: In 1980, the total number of students served under TRIO was 528,414. It is estimated that in 1983, 464,114 individuals received program assistance. Presently, TRIO serves only 10 percent of the eligible student population. Is it your opinion that a 50 percent cut in funding will not substantially erode the current level of service?

Answer: As part of our budget strategy, we have targeted Federal support on the Special Services and Upward Bound programs which provide more intensive services and have been shown to be more effective. These services, however, are more costly than the more general outreach activities provided under the Talent Search and Educational Opportunity Centers programs. The Talent Search and Educational Opportunity Centers programs have traditionally provided services to many more students due to their lower cost. As funds shift to the programs which provide the more intensive and costly services, the total number of students being served will decline. Although no funds are being requested for the Talent Search and Educational Opportunity Centers programs, we propose to consolidate their activities under a new Talent Search and Assistance program. Special Services and Upward Bound grantees could use their awards for the new consolidated program. This would provide individual institutions flexibility in choosing the kinds of services that would best meet the needs of their students. As we have already stated, Special Services grantees would be required to share increasingly in the costs of their projects and to "graduate" from the program. This would ensure greater institutional commitment and would allow more and more institutions to receive Federal funds when other institutions graduate.

In addition to the above proposals, we are requesting that the pool of eligible participants would be restricted entirely to those

from low-income families. At present, up to one-third of the participants can be from first generation college students regardless of their family income. Thus, whatever Federal funds are available would be better targeted to those institutions that are providing services to students most in need of the services.

These efforts are attempts to provide assistance for those activities and services which have proven to be successful. We feel that our recommendations will improve targeting and direct available funds to more effective programs and services.

Senator Andrews: By the Administration's own admission, the overall effectiveness of the TRIO programs has been demonstated, particularly with the Upward Bound and Special Services programs. Yet your proposal would cut these programs by 40 percent in addition to eliminating the Talent Search and Educational Opportunity Centers. Why?

Answer: As previously indicated, we reviewed each program within the Department and examined ways to make them more cost-effective. The TRIO programs began with the Talent Search program almost 16 years ago. Four other programs have been added over the years to help provide remediation and academic and financial counseling for current and potential postsecondary students. Each program is administered and applied for separately, and similar services are provided by more than one program. Over the years, little has been done to eliminate duplication and reduce the administrative burdens that accompany these programs. We feel our proposals will accomplish these goals, and, at the same time, provide financial assistance to broaden the access to postsecondary education and to continue to support the educational needs of low-income students who are the beneficiaries of the services provided by these programs.

Although no funds are being requested for the Talent Search or Educational Opportunity Centers programs, the activities authorized under these programs would be made allowable activities under the Special Services and Upward Bound programs. Our legislative proposal would also consolidate the Talent Search and Educational Opportunity Centers programs into one outreach program.

GUARANTEED STUDENT LOAN NEED ANALYSIS

Senator Andrews: Back in North Dakota, there are a substantial number of farm families with incomes well below the $30,000 mark. However, on paper the net worth of these families would appear to be much greater as a result of property-ownership. The proposed tighter restrictions would therefore rule them out as qualified applicants. How would you respond to this?

Answer: Despite the substantial apparent net worth of many farm families, students from these families in most cases would not become ineligible for Guaranteed Student Loans (GSLs) as a result of our proposed extension of the need analysis requirement to families with incomes below $30,000. College financial aid administrators have broad discretion in determining the family's financial strength for purposes of the GSL and campus-based student aid programs (Supplemental Grants, Work-Study and Direct Loans). If the family's standard expected family contribution, generally calculated under

the Uniform Methodology System, is believed not to accurately reflect the family's available resources, the financial aid administrator may make adjustments to reflect the family's actual resources. In addition, if no campus-based aid has been awarded to the student, the financial aid administrator may use a simpler "table look-up" method, which does not consider the family's assets, to determine the student's expected family contribution. We anticipate that this method would be used in most cases in which use of the standard expected family contribution would result in little or no remaining need (educational costs minus expected family contribution). Thus, we believe that the extension of the need analysis requirement to families with less than $30,000 in adjusted gross income would not significantly affect the GSL eligibility for farm families.

PELL GRANTS

Senator Andrews: While funding for Pell Grants would be sustained at the FY 1984 level with an increase to $3,000 for maximum grant awards, why does the Administration deem it necessary to require that students contribute a minimum of 40 percent or $500 in order to qualify?

Answer: A major purpose of the restructured Pell Grant initiative is to promote the principle that postsecondary students should contribute to their own education costs before Federal grant assistance is provided. The student is the main beneficiary of the education and as such should indicate his/her commitment to the educational process by a minimal financial contribution. Therefore, as a prerequisite for a Pell Self-Help Grant, students will be expected to contribute financially to their own educational costs. Under the current system where Pell Grants are not contingent on any self-help contribution, it is now possible for certain students to finance their postsecondary education through a combination of a Pell Grant and family contribution with no personal financial commitment.

The level of the Self-help contribution is designed to relate to the costs the student faces. At a minimum, students will be expected to provide at least $500 or 40 percent of their educational costs, with the absolute dollar expectation increasing at more costly institutions. The student self-help contribution may be met through any means, other than a federally supported grant, such as work opportunities provided under the expanded Work-Study program, summer earnings, student loans, savings, etc.

Senator Andrews: Is it not a fair assumption that such a requirement will have a harmful impact on the very groups the money is targeted to assist--the middle and lower income groups?

Answer: The Self-Help Grant proposal will not negatively affect any particular income group. Students can meet their self-help contribution through any resource other than Federal grant assistance, such as work-study, loans, State grants, private or institutional financial assistance, summer savings, etc. All students regardless of family income should be able to meet their self-help contribution.

Senator Andrews: In your testimony, you have stated that in an effort to eliminate current inequities, Pell Grant awards will be made more sensitive to the cost of education. My concern is that basing awards on "costs" will give rise to additional inequities. For example, a student attending the University of North Dakota will require significantly less financial assistance as opposed to a student attending a private institution back East. How will your proposal accommodate this type of inconsistency and, in fact, target funds to those most in need of assistance?

Answer: The Pell Self-Help Grant proposal targets aid on the lowest income student irrespective of the institutions which he/she attends. By providing a maximum award up to $3,000 and by making the award cost-sensitive, low-income students can qualify for larger awards at higher cost schools. Currently, the Pell Grant award does not vary with educational costs beyond $3,000. This may severely limit the low-income student's choice of institution. The restructured Pell Grant program will provide grants which vary with educational costs up to $8,000.

The lowest income student, whose family can make no contribution to educational costs, would also qualify for a higher award at lower cost schools--60 percent of educational costs instead of the current 50 percent. Therefore, the lowest income student would receive higher awards at both low and high cost institutions than under the current program.

Senator Andrews: While enabling an individual to attend the school of their own personal choosing is certainly a consideration, it seems to me that for most of these individuals--particularly those in the lower income range where the need is greatest--it is not a primary consideration. Why, then, has your proposal elected to emphasize high-cost schools with respect to Pell Grant awards?

Answer: The Department's proposals do not emphasize high-cost schools so much as they emphasize the differing financial needs of students. This need is a function, first, of the personal financial strength of the student and his or her family, and, second, the actual educational costs faced by the student. We believe it is important to recognize that the educational costs of students vary considerably and the need for financial assistance will vary with this cost. A low-income student attending a high cost institution has a greater need for assistance than a low-income student attending a low cost school and it is equitable that the former receive a higher grant award.

Educational choice is important for low-income students and we estimate that nearly 15 percent of our low-income recipients (income below $12,000) will attend schools costing $6,000 or more. Note that only low-income students receive the maximum $3,000 award, since the $3,000 award is reduced in the Pell Grant award formula by any positive family contribution.

It is also important to note that the lowest income students receive higher awards under the fiscal year 1985 proposals than under current law whatever cost institution they attend. That is, under fiscal year 1985 proposals, a student with a family income of $10,000 attending a $2,500 cost institution would receive a $1,500 Pell award compared to $1,250 under current law, $2,250 compared to

$1,900 at a $5,000 cost institution, and $3,000 compared to $1,900 at a $9,000 cost institution.

PRESIDENT'S COMMISSION ON EXCELLENCE IN EDUCATION REPORT

Senator Andrews: There appears to be some discrepancy with respect to the actual decline in measures of achievement among high school students. While the report by the President's commission on education stresses a decline over the past two and one half decades, other sources contend that this is not so. They argue that although verbal scores have gone down, if viewed separately, one sees a steady increase in the test scores for math. What can you tell us about this?

Answer: I wish it were otherwise, but the evidence of a decline in mathematics achievement comes from so many sources that there can be no doubt concerning the accuracy of the downward trend.

The highest achievement of U.S high school students on the mathematics portion of the Scholastic Aptitude Test occurred in 1963, with a score of 502. After that date, scores declined every year until 1981, when the mathematics score was 466. For the last two years the curve has been flat, but there is no evidence of a turnaround.

On College Board Achievement Tests in mathematics, the picture is less negative, but there is no evidence that would support the thesis that math scores have steadily increased. The peak score for the Level I exam was 1967-68, and for Level II it was 1965-66.

Perhaps the most relevant scores come from the National Assessment of Educational Progress (NAEP), supported through the Department's National Institute of Education. NAEP is a periodic assessment of the Nation's 9, 13 and 17 year olds, and is taken by a scientifically selected sample of students of all ability levels. The mathematics examination has been given in 1973, 1978, and 1982. While the results are mixed, they provide very little evidence that mathematics achievement has improved during the past decade. At age 9, the average score in 1982 was about the same as in 1973. For 13 year-olds, the average score declined from 1973 to 1978, but rose significantly in 1982. Among 17 year-olds, the scores have declined at each measurement period and are now at their lowest point since the assessment was started.

Even the improvement among 13 year-olds gives little comfort, because no overall improvement occurred on problems which went beyond the routine, such as problems with more than one computational step. The experts have concluded that while the emphasis on basic mathematics in the 70s seems to have led to improvement among 13 year-olds in simple computational skills, they have not yet produced improvement among any age group in the skills required to solve problems.

Finally, I would note that the shortfall in mathematics among the college bound is perhaps most obvious to the colleges, and, since 1975, 72 percent of four-year colleges have found it necessary to increase their remedial mathematics course offerings.

Unfortunately, there is much evidence to support the conclusions reported in A Nation At Risk. Nonetheless, I am optimistic because this Report, and many others, has galvanized action by so many States and localities. I believe we are going to see real progress.

Question Submitted by Senator Quentin N. Burdick

IMPACT AID CONSTRUCTION

Senator Burdick: The Administration proposes $0 for impact aid construction funding in fiscal 1985. Does this mean you have no projects pending? If not, is there a backlog and how many projects are on it?

Answer: After fiscal year 1984 projects are funded, there will be unfunded requests for approximately $260 million covering 225 construction projects. Past experience with these requests leads us to believe that this total is higher than will be required. Some of these requests are no longer valid, their entitlement having changed since they were filed. Other school districts have already begun some of the construction they requested the Federal Government to fund. Actual grant amounts cannot be determined until a site visit has been conducted, State school construction requirements are reviewed, and pupil data are known for the year funding will be available.

Question Submitted by Senator Daniel K. Inouye

PACIFIC BASIN "SET ASIDE"

Senator Inouye: Mr. Secretary, during our deliberations on your fiscal year 1982 Supplemental Appropriations bill, we included a special $5 million "set-aside" for Hispanics and Native American students under your Title III Developing Institutions program. Unfortunately, it is my understanding that the regulations governing Title III are so specific that many of our truly Developing Institutions in the Pacific Basin region were simply unable to become qualified. That is, they were so underdeveloped that they could not receive support. After many discussions with your staff, minimal planning support was eventually released to each of the territories. Again, each of the Pacific Basin governors have indicated that this initiative is very important to them and this was the subject of our recent committee hearings in Hawaii. If we were again this year to provide for a special "set-aside", which mechanism would provide you with appropriate flexibility to accurately address the pressing needs of the Pacific Basin region--would your Secretary's discretionary fund be appropriate?

Answer: We appreciate the importance of Title III funding for the postsecondary institutions located in the Pacific Basin. Institutions located in the Trust Territories that had difficulty in qualifying for eligibility were deemed not eligible due to statutory requirements for the program. We are sensitive to the needs of these institutions, as demonstrated by the Memoranda of Understanding negotiated with them providing for additional technical assistance and priority treatment in competition for certain of our higher education programs. However, we do not believe it

was the intent of Congress to waive legislatively mandated eligibility requirements which prevented us from considering certain Pacific Basin institutions for Title III assistance.

We have submitted changes to the eligibility requirements for the Title III program in our legislative proposals. One of the changes proposed would amend the current definition of an "eligible institution" by deleting the requirement that the average amount of Pell Grants received by students at eligible institutions is higher in comparison with the average amount of Pell Grants awarded at comparable institutions. We believe our proposals would enable most, if not all, of the territorial postsecondary institutions to qualify for consideration under the Title III program, and that this program provides adequate flexibility to address the needs of the region. The Secretary's Discretionary Fund would assuredly not be an appropriate vehicle, since it is designed to address the needs of elementary and secondary schools.

SALARIES AND EXPENSES

STATEMENT OF CHARLES L. HEATHERLY, DEPUTY UNDER SECRETARY FOR MANAGEMENT

ACCOMPANIED BY:

HARRY M. SINGLETON, ASSISTANT SECRETARY FOR CIVIL RIGHTS
JAMES B. THOMAS, JR., INSPECTOR GENERAL
THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION

PREPARED STATEMENT

Senator WEICKER. All right. I announced at the outset that the hearing for tomorrow would be canceled. I understand that the full Appropriations Committee markup has now been shifted to Friday, so the subcommittee will hold its hearings, as scheduled, tomorrow morning.

Now the next witnesses this morning are Deputy Under Secretary for Management Charles Heatherly, Harry Singleton, Assistant Secretary for Civil Rights, and James Thomas, the Inspector General.

Gentlemen, all of your statements in their entirety will be placed into the record.

I would appreciate a brief synopsis of those statements, and then we have some questions and other questions to be submitted for response to the record.

[The statement follows:]

STATEMENT OF CHARLES L. HEATHERLY

Thank you for the opportunity to discuss our fiscal year 1985 budget request for salaries and expenses activities of the Department. I will also speak to our 1984 supplemental request.

In introducing this request, I believe it useful to highlight several major developments in our management of the Department. First, since 1981, there has been a considerable decrease in the amount we expend for personnel costs, with no effect on our ability to manage our programs.

Second, we have increased our level of activity in a variety of areas related to financial management and oversight. These include eliminating the backlog in audit resolution, better cash management, increased debt collection, and increased monitoring of grant awards. Finally, we are tackling the issue of modernization and planning in the use of automation and the management of our information resources.

We are requesting a fiscal year 1985 budget of $301.5 million and 4,930 full-time equivalent staff. This is an increase of $2.9 million in obligational authority and a decrease of 210 full-time equivalents from fiscal year 1984. The total request includes $243.5 million for Program Administration, $42.6 million for the Office for Civil Rights, and $15.3 million for the Inspector General. Chart 1 displays actual and estimated direct obligations for salaries and expenses activities from 1981 to 1985.

This budget also proposes the consolidation of three existing accounts for salaries and expenses purposes into one account. The Office for Civil Rights and the Office of the Inspector General would be financed as activities under the Salaries and Expenses account rather than by separate accounts as in 1984 and prior years. This change will simplify the Department's account structure without affecting the budgetary independence of these offices. The budget request proposes an increase of eight positions for additional audit assignmments in the Office of the Inspector General.

The requested level of funding for the Office for Civil Rights will enable that office to maintain its 1984 level of staffing and to continue to meet its statutory and judicial responsibilities. A reorganization and other mangement efficiencies will enable the Office for Civil Rights to make more effective use of its staff. Less money is requested for the Office for Civil Rights in 1985 because more was appropriated in 1984 than will be required.

I will discuss the four major components of our request--personnel, automated data processing, travel, and rent, communications and utilities--especially as they relate to the major developments in management of the Department. Chart 2 shows the percentage distribution of our request for these four components, as well as the percentage requested for contracts and other expenses.

Personnel

Personnel Compensation and Benefits constitutes 61.4 percent of our request, or $185.1 million, a decrease of $5.1 million from fiscal year 1984. Since January 1981, the greatest change in Department staffing has been a considerable decrease in the number of other than full-time permanent employees. This decrease has had no effect on our commitment to critical areas.

Chart 3, which displays all Department of Education employment, including that in the Office of Indian Education, shows full-time equivalent employment levels from January 1981 to September 1985. From January 1, 1981 to September 1984, overall employment will have decreased by 30 percent. The number of full-time career service employees will have decreased by 19 percent over this period, while other than full-time permanent employment will have decreased by 81 percent.

The Department of Education's fiscal year 1985 ceiling will decrease by 210 positions from fiscal year 1984, but the Office for Civil Rights will remain level as it has since fiscal year 1983, at 970, making it second in size only to the Office of Post-secondary Education which has a program budget of $6.8 billion to administer. The Office of Inspector General will increase by 8 positions. Chart 4 displays our FTE request by Principal Office.

The decrease in personnel from January 1981 to September 1985 will result in an anticipated savings of $69.7 million by 1985, compared with expenses if staff had been held constant at 1981 levels. Chart 5 shows annual savings for fiscal years 1982 through 1985.

The decrease in staffing from fiscal year 1984 to fiscal year 1985 is the greatest for other than full-time permanent employees. We expect a reduction of 20 percent in other than full-time permanent employment, while the number of full-time permanent employees will decrease by less than 2.7 percent over the same period.

Automated Data Processing

In fiscal year 1985 we are requesting $50.2 million for automated data processing, an increase in of $2.4 million. This request allows for developing an electronic mail system, enhancing our Management Information System, and building integrated data systems. Chart 6 displays actual and estimated direct obligations for ADP for 1981 through 1985.

The largest portion of the ADP budget, some $33 million, is for support of the $6.5 billion student financial assistance program. We anticipate processing some 6 million Pell Grant applications and guaranteeing approximately 3.3 million loans. In order to effectively manage these programs, we rely on automation to process the voluminous amounts of information provided to us by students and financial and educational institutions.

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Travel

Our total travel request is $5,950,000, a decrease of $12,000 from 1984. Travel is an area where considerable savings have been realized since 1981 and at the same time the use of the available resources has been improved. I would like to emphasize the change in the use of these travel dollars, as shown on chart 7.

In fiscal year 1981 less than 10 percent of our travel funds was used for monitoring and compliance activities. In fiscal year 1983 39 percent was used for these activities, and next year we estimate that 47 percent of travel funds will be spent monitoring grantee and contractor performance. The remainder of the funds will be used for providing training and technical assistance to our grantees and state and local educational agencies. Chart 7 shows the relative amount of travel funds used for each of these purposes for 1981 through 1985.

Rent, Communications and Utilities

For rent, communications and utilities, $35.2 million is requested. An increase of $8.6 million will occur in spite of our best efforts to reduce office space. The reduction in office space will produce an estimated savings in fiscal year 1985 of $940,000. However, the 30 percent rate increase charged by GSA, as well as a sharp increase in the phone bill, will more than offset that savings.

1984 Supplementals

Let me briefly summarize our supplemental request.

We are requesting a 1984 supplemental of $4.2 million, of which $2 million is for the Inspector General and $2.2 million is for Program Administration. We propose that these supplementals be financed with unobligated balances transferred from Higher Education, thereby avoiding the need for an increase in budget authority for the Salaries and Expenses appropriation.

For the Inspector General, the proposed supplemental would increase support for the audit effort with 28 additional full-time equivalents, thereby increasing our audits by approximatly 94. The balance of the Inspector General's supplemental request cover would cost associated with the 1984 pay increase which cannot be absorbed within the current resources.

For Program Administration, the $2.2 million supplemental would cover space rental rate increases which were assessed after the Department submitted its original 1984 budget.

In conclusion, I would like to reiterate that this budget request reflects staffing and funds to actively manage our programs and civil rights enforcement activities, substantial improvements in the financial management activities of the Department, and an investment in forwardlooking automated data processing techniques and applications.

I would be happy to respond to any questions the Committee may have.

Biography of Charles L. Heatherly

NAME	:	Charles L. Heatherly
POSITION	:	Deputy Under Secretary for Management
BIRTHPLACE AND DATE	:	Elizabethton, Tennessee, June 6, 1942
EDUCATION	:	University of Arizona, 1965, B.A. Claremont Graduate School, 1974, M.A.
EXPERIENCE	:	
PRESENT	:	Deputy Under Secretary for Management
1981-1982	:	Executive Secretary, Department of Education
1979-1981	:	Director of Resource Bank and Director of Special Projects, The Heritage Foundation, Washington, D.C.
1973-1979	:	Director of Education, National Federation of Independent Business, San Mateo, California and Washington, D.C.
1969-1973	:	Western Director, Intercollegiate Studies Institute, Los Angeles and Claremont, California
1967-1968	:	Southern Field Director and Managing Editor, The Intercollegiate Review, Intercollegiate Studies Institute, Bryn Mawr, Pennsylvania
1965-1966	:	Eastern Field Director, Intercollegiate Studies Institute, Philadelphia, Pennsylvania
ASSOCIATION MEMBERSHIP	:	Member, International Council for Small Business Member, National Business Education Association

CHART #1

SALARIES AND EXPENSES FY 1981 - FY 1985
(Excluding Indian Education)

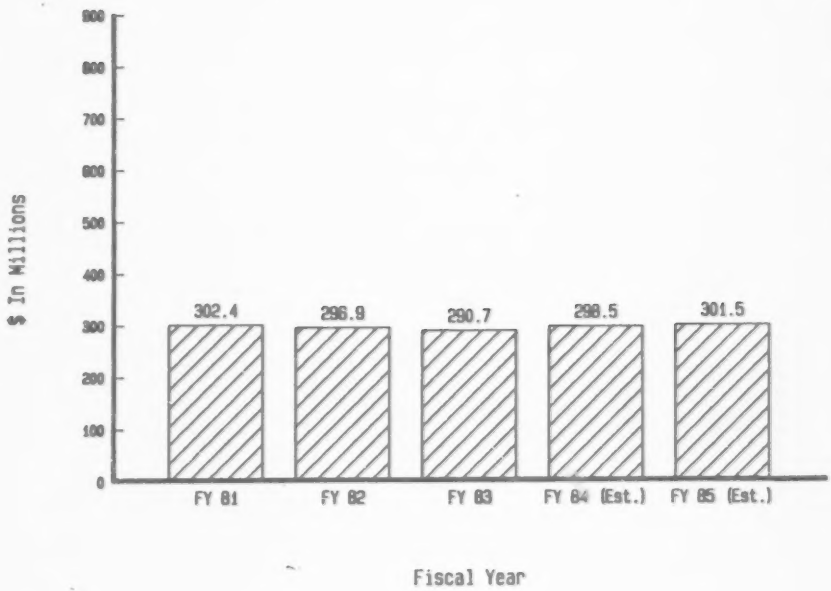


CHART #2

DEPARTMENT OF EDUCATION
FY 1985 Salaries and Expenses Request

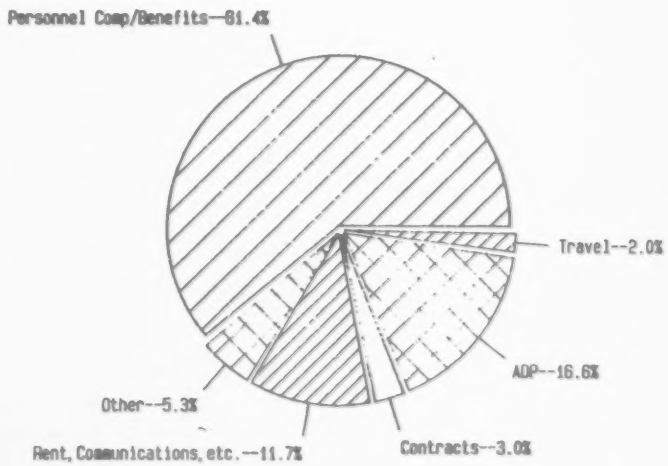


Chart #3

ED FTE EMPLOYMENT SINCE JAN. 1981 (INCLUDING OIE)

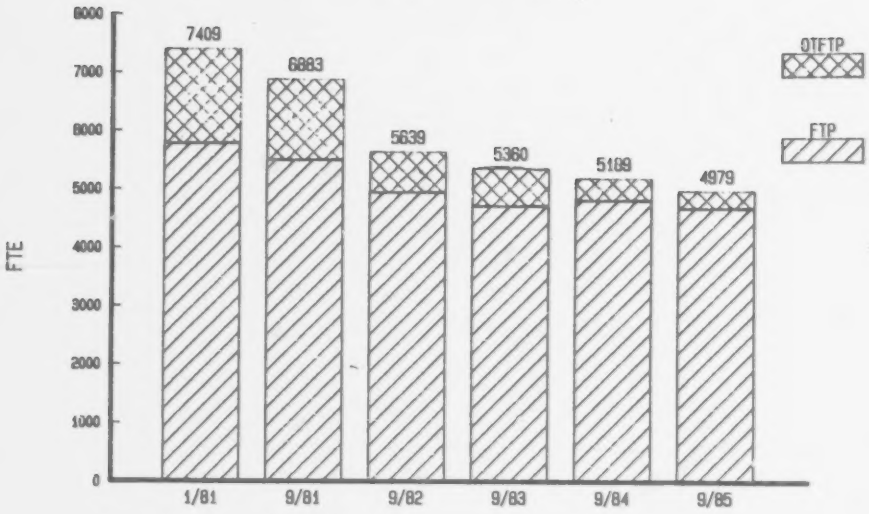


CHART #4

FY 1985 FTE Request by Principal Office

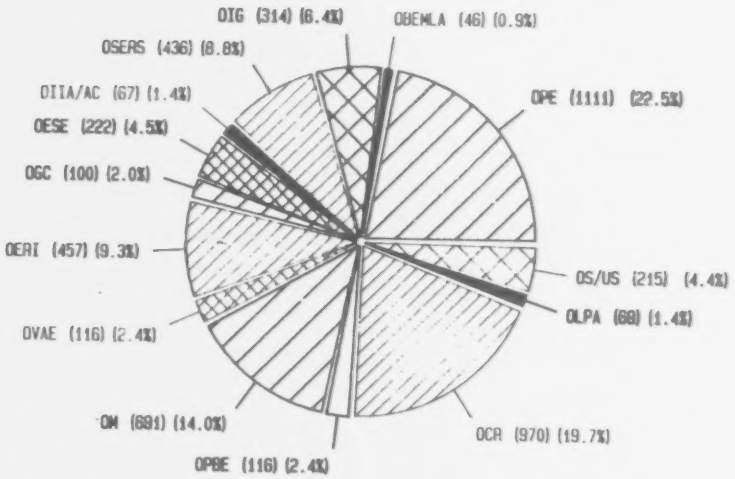


CHART #5

FTE Savings FY 82 - 86

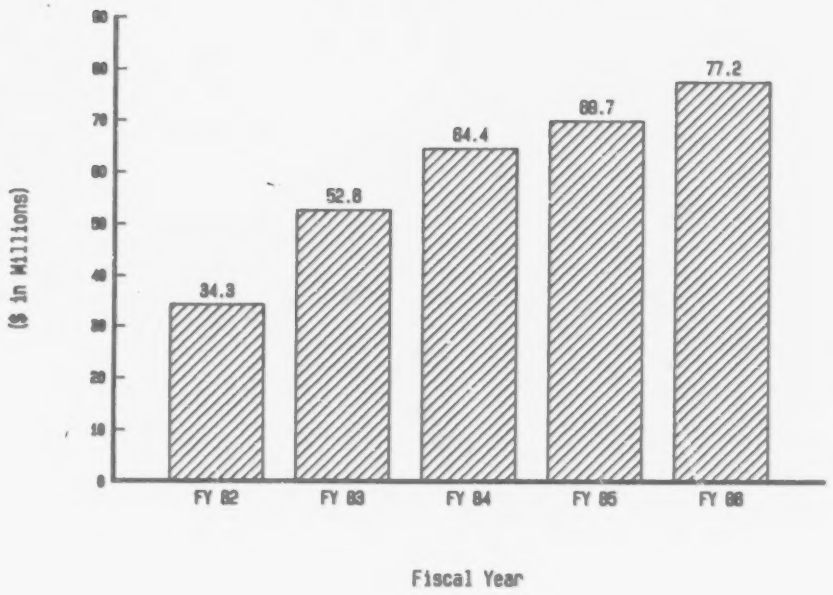


CHART #6

ADP $ BY Fiscal Year FY 1981 - FY 1985
(Excluding Indian Education)

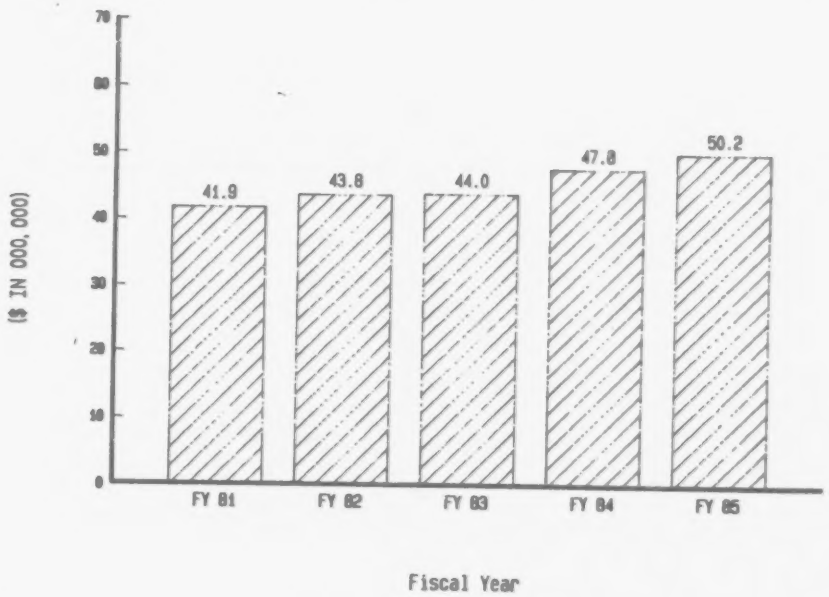
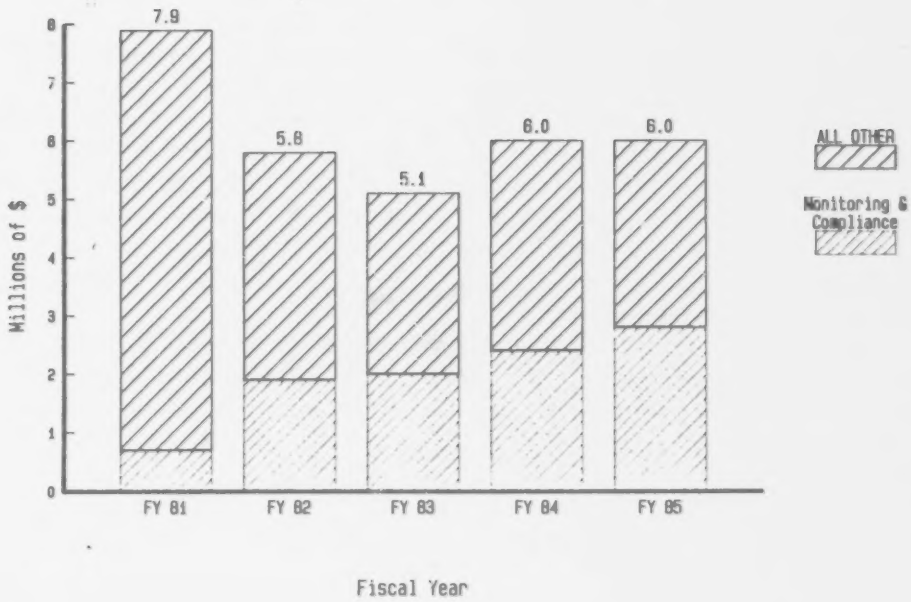


Chart #7

TRAVEL BY PURPOSE



BUDGET REQUEST

Mr. HEATHERLY. Mr. Chairman, thank you very much. It is a pleasure to be here. I will summarize very briefly what our $301.5 million budget request is.

We have a slight increase of $2.9 million in obligational authority over our 1984 appropriation, which incorporates and represents a decrease in the staffing level of 210 FTE. The major components of this budget are personnel, ADP support services, travel, rent, and telecommunications. Our personnel budget proposal represents a decrease of $5.1 million from our 1984 level. We have requested a level staffing for the Office for Civil Rights of 970 FTE and a slight increase for the Inspector General's Office of 8 FTE, and that is on top of an increase in 1984 of 28. For other departmental offices, the budget represents a decrease of 218 FTE, mainly in the Office of Postsecondary Education, which will be reduced by 111 FTE.

ADP support services represent an increase of $2.4 million. I would point out that 70 percent of our ADP budget is in student financial aid support operations. Other increases are due to increased capability in office automation, electronic mail, and management information system enhancement.

We have a slight decrease in our travel budget below our 1984 level, which is still considerably lower than our 1981 and 1982 levels. Space rental represents an increase of $5.7 million or 30 percent over our 1984 level, and this increase is mandated by GSA rates. It is partially offset by reductions in space—usable office space in the Department.

We have, for example, in our fiscal year 1984 plans, reduced office space 28 percent under the 1983 base, but the rates are going up dramatically and, therefore, the budget request is for an increase.

Also, in telecommunications, we have increases planned, due to the AT&T divestiture which results in one-time outlays for equipment, and some rate increases for local lines and local usage. We are also increasing our use of telecommunications, long distance, and electronic mail telecommunications activities in the Department.

Our 1984 supplemental request for $4.2 million includes an increase of $2 million to cover staff increases in the Inspector General's Office, which were not included in the original 1984 budget. It also represents a $2.2 million request to cover rent increases in 1984 that were not included in our original budget.

That summarizes our request, Mr. Chairman, and I believe Mr. Singleton and Mr. Thomas may have an opening statement.

CIVIL RIGHTS

Mr. SINGLETON. Thank you, Mr. Chairman. If I may take a few minutes of the subcommittee's time to highlight some of OCR's responsibilities and activities during the past year.

As you know, OCR enforces four statutes: Title VI of the Civil Rights Act of 1964; title IX of the Education Amendments of 1972; section 504 of the Rehabilitation Act of 1973; and the Age Discrimination Act of 1975.

By our estimates, we count as beneficiaries of our activities approximately 12 million minority group members, 4 million handicapped individuals, and 26 million women. The recipients that we monitor number something like 16,000 school systems, 3,200 institutions of higher education, and 50 State education agencies.

In fiscal year 1983, OCR's complaint caseload increased by 6 percent. By jurisdiction, the largest increase in complaints received over the previous fiscal year was alleged violations of section 504. Section 504 complaints now constitute 45 percent of our total complaint workload. However, on a percentage basis, the largest increase in complaints received by jurisdictions over the past fiscal year were alleged violations of title IX.

A more selective measure of residual discrimination in America, as far as complaints are concerned, is the number of substantive case closures—those which resulted in some form of corrective action. By volume and percent, more case closures of section 504 complaints resulted in corrective action than any other area. Titles IX and VI closures followed, respectively.

As far as our compliance review caseload in fiscal year 1983 is concerned, there was an increase of 37 percent. Our closures were up 17 percent. A compliance review, as you know, covers broader discrimination issues and a larger number of individuals than the complaint. In fiscal year 1983, OCR found that compliance reviews resulted in corrective action in 71 percent of the cases, compared to an approximate corrective action rate of 56 percent for substantive complaints.

One of the most important factors influencing OCR operations is the *Adams* order. In 1970, the NAACP legal defense fund filed suit against the old Department of Health, Education and Welfare, alleging failure to enforce title VI as it related to school desegregation in 17 Southern and border States. Over the years, a number of other plaintiffs joined that particular action culminating in 1977 in a consolidation of the actions. The result of that was a consent decree known as the *Adams* order, which set up some basic timeframes by which OCR must process complaints and compliance reviews, and sets forth a number of requirements that we are supposed to meet with respect to surveys, reports, and the like.

On March 11 and 24, 1983, the court issued new orders for OCR, containing significant revisions to the previous order. These orders revised OCR's case processing timeframes, added other instructions with respect to survey and data collection, set new deadlines with respect to higher education desegregation, and mandated OCR to eliminate a backlog of cases.

With regard to the last item, I would like to report to you that I am very proud of OCR. In a relatively short period of time—approximately 6 to 8 months—we resolved somewhere in the neighborhood of 761 cases and virtually eliminated a backlog of cases that had been plaguing the organization for some time. I think that is something we can all look upon as very significant.

In conjunction with the fiscal year 1984 appropriation, this subcommittee gave us a number of directives to accomplish. We believe that these directives are important and timely, and OCR intends to comply with all of them, including the two reports which you mandated, on compliance plan monitoring and technical assistance activities. I have these reports here with me today, and as a part of the latter report I would like to beg the indulgance of the subcommittee and give you an example of our outreach efforts.

OCR PUBLIC SERVICE ANNOUNCEMENT

I am prepared to play, with your consent, Mr. Chairman, a 30-second public service announcement which we have entitled "the Civil Rights March." It was produced under a joint contract funded and managed by OCR and the Department's Office of Special Education and Rehabilitative Services.

Last year OCR distributed 700 copies of this announcement in both English and Spanish to TV stations throughout the United States. This TV spot was developed, because we felt there was a need to publicize handicapped children's right to an education in the most normal school setting possible. This announcement was produced by the award-winning firm of Grey-North, Inc., and representatives of organizations serving handicapped persons were enlisted to act as consultants during its preparation.

With your permission, Mr. Chairman——

Senator WEICKER. I'd like to see it.

Mr. SINGLETON. I'd like the staff to run this for the subcommittee. It will take 30 seconds.

[Film shown.]

Mr. SINGLETON. Thank you, Mr. Chairman.

I would be happy to answer any questions.

Mr. THOMAS. Mr. Chairman, I will not make any additional statement but will be happy to respond to questions.

POSITION LEVELS FOR OCR

Senator WEICKER. Last year, we gave you funding for 1,046 positions in the Office for Civil Rights, an increase of 76 over the previous year, in order to comply with the *Adams* order, which called for stepped-up case resolution deadlines and five major surveys on higher education, elementary and secondary education, and vocational education, as well as to assist in the compliance with congressionally mandated responsibilities, et cetera. And there are other matters there. Yet the budget that has been sent up holds you to last year's position level.

How can you comply with all the requirements at the same position level as last year, and how many positions were contained in the Department's request to OMB?

Mr. HEATHERLY. Mr. Chairman, we considered that very seriously, but in the process of negotiating our budget request with OMB staff, we determined we could not add those positions without deleting them

from other offices in the Department, which would also be contrary to your directions in the report. Second, the November direction—I believe that was in November when that direction was given—did not take into account the changes that were being made under Mr. Singleton's able leadership in OCR, in terms of the improvement in the procedures in processing the cases, the progress that was being made under the *Adams* timeframe, and eliminating this backlog at the 970 staff level. We felt some additional experience would be beneficial before trying to staff up to this extremely high level, in view of the hardships it would impose on the rest of the Department. But I would be pleased to have Mr. Singleton respond to that question, as well.

Mr. SINGLETON. OCR's current 970 FTE staff level is what I feel is the minimum that will enable me to comply with the *Adams* order. The increased staff will enable me to really augment——

Senator WEICKER. Let me stop you for 1 minute. You are currently, as I understand it, at 912. Why aren't you up to 970?

Mr. SINGLETON. Well, I have authorized over 100 personnel actions during the last 4 months. However, it takes time to process these actions. Also keep in mind, Mr. Chairman, that we have certain uncontrollable factors such as attrition that frustrate the best staffing plans. To stay at a 970 level, you would have to overauthorize positions, and that can be a very tricky business. So I try to do the best I can to keep our staff level up. You may see dips in our FTE sometime as low as 900 or so, but we have quite a few actions pending now, and I am confident we will get close to 970 FTE within a relatively short period of time.

POSTAL COSTS

Senator WEICKER. Mr. Heatherly, in 1982 you took $2 million for postal costs from funds appropriated for the Office for Civil Rights. In 1983, you took $4 million for postal costs. Now, doesn't that show sort of a consistency of underestimating your postal costs?

Mr. HEATHERLY. There is, Mr. Chairman, a provision in the law dating back to 1950, which can be used by other agencies, as well, allowing us to pay the mail bill out of any available funds. And at the end of each year, if necessary, we look around and determine whether any funds might be available for this. And so, since OCR has been in this position each of the last 4 years, we have used OCR funds for that purpose.

Mr. SKELLY. It was just in 1982 and 1983 that we used OCR funds.

Senator WEICKER. Then this gets back to the other question. I think the reason you had the funds is you are not filling your positions over at OCR.

Mr. HEATHERLY. No; they would have lapsed. They have approximately $5 million more in the budget than is needed, even at the 970 level.

Mr. SKELLY. And there was not a plan at the beginning of the year to use the OCR money. It was only late in September that it was deter-

mined that we had available funds in OCR and had a shortfall of funds in S&E, but there wasn't a plan at the start of the year to use OCR funds.

Mr. HEATHERLY. We do not plan to use OCR funds for S&E expenses this year, Mr. Chairman.

PROPOSED SUPPLEMENTAL

Senator WEICKER. Mr. Thomas, you are requesting an additional $1.7 million in your proposed supplemental to transfer funds to the Inspector General's Office from the higher education account, in order to provide for 28 additional positions for the Inspector General's Office; however, since you are now at the authorized ceiling for the Inspector General account, are we to assume you expect the passage of authorizing legislation in the near future to mitigate this problem?

Mr. SKELLY. The administration did submit legislation to amend the Reconciliation Act last year, and we have been working with the authorizing committees and staff of the Government Operations and Government Affairs Committees to see if the amendment to the Reconciliation Act could be added on to one of their pieces of legislation. To date, both last year and this year, we haven't had any success, but we are working with the staffs in trying to get the amendment attached to some bill.

Senator WEICKER. But let me repeat. When you come before this committee, I am not interested in, as you know, what you are hoping for. I deal with the realities as they exist, and, indeed, that is the proper way to budget, I believe.

Mr. SKELLY. Yes, sir. We are at the limit of $12,989,000 and we foresee the need for a supplemental and have proposed legislation and the supplemental to meet the need.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. As I indicated, the time constraints are such that the rest of the questions from the chairman and the rest of the committee will be submitted for your response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

SPECIAL EDUCATION AND REHABILITATIVE STAFF DECREASE

Question: Why is the Office of Special Education and Rehabilitation projected to have the largest staffing decreases--21 full-time equivalent positions in 1985?

Answer: Actually the largest staffing reduction in 1985 will occur in the Office of Postsecondary Education with 111 fewer full-time equivalent positions. As for the Office of Special Education and Rehabilitative Services, its proposed reduction of 21 full-time equivalent positions represents a projected decrease which is in line with other offices of its size.

Question: According to the justifications, these decreases would result from "management efficiencies achieved through consolidation of administrative support functions." What does this mean?

Answer: The specific reductions proposed for OSERS do relate to consolidation of administrative support functions. The office has three major sub-components--each of which has separate units that provide administrative support. Based on recommendations from several studies over the last few years, the Assistant Secretary is consolidating similar administrative support operations within her office to improve efficiency and assure consistency in program administration.

Question: If these management efficiencies were so useful, why have you not applied them to other offices within the Department?

Answer: We have already done so in many operating components and will continue to identify and correct inefficiencies. The impact of such management improvements on the Office of Special Education and Rehabilitative Services would be greater than for other offices only if OSERS should have proportionally more administrative support duplication than other offices.

POLITICAL APPOINTEES

Question: The number of employees at the Department has decreased from 7,409 in 1981 to 4,936 as of February 18. This year you are proposing the largest budget ever for the Department. While you are decreasing the number of full-time professional staff at the Department, has the number of your political appointees in the Department increased?

Answer: The number of political appointees has increased slightly. The following table lists the number of political appointees, by type, at the end of the last three calendar years:

Department of Education
Political Appointees

Type of Appointment	Dec. 1981	Dec. 1982	Dec. 1983
Presidential/Senate	17	14	16
Non-Career SES	12	17	17
Limited-Term SES	4	12	15
Schedule C	86	94	95
Total	119	137	143

Question: Please provide statistics on the number of political appointees, by office within the Department, for the last three years.

Answer: We have not maintained records of political appointments by office within the Department in the past. However, we are able to provide you with data, by office, of the current political staff, as shown in the following table:

Department of Education Political Appointments
by Category and Office as of March 1984

	Presidential/ Senate	Non-Career SES	Limited-Term SES	Schedule C's
OS	1	3	1	12
SRR	0	0	0	9
OUS	1	1	2	7
OIIA	1	0	2	7
OIG	1	0	0	0
OM	1	2	2	8
OPBE	1	0	2	3
OLPA	1	1	0	11
OGC	1	1	0	0
OCR	1	0	1	6
OERI	2	1	0	7
OSERS	3	2	0	7
OBEMLA	0	1	1	2
OVAE	1	1	0	3
OPE	1	2	3	7
OESE	1	2	1	4
TOTALS AS OF MARCH 1984	17	17	15	93

OFFICE FOR CIVIL RIGHTS

Question: Mr. Singleton, it is my understanding that, while OCR has been budgeted for 970 positions, the Office as of January 21 had 912 positions. Why are you carrying so many vacancies--why haven't you even filled up to 970?

Answer: Since the President signed OCR's fiscal year 1984 appropriation into law on October 31, 1983, I have allocated over 100 positions to OCR headquarters and regional offices. However, Government-wide and Departmental personnel regulations and procedures must be followed in filling these vacancies. It is not

unusual for a simple recruitment action, such as for an entry-level clerical, to take six weeks or more to bring an employee on board. Recruitment actions for positions which require specialized skills, such as a statistician, have taken in excess of six months to complete. OCR staff are working closely with Departmental personnel staff to expedite the processing of OCR recruitment actions.

OFFICE FOR CIVIL RIGHTS

Question: Last year, we gave you funding for 1,046 positions in the Office for Civil Rights, an increase of 76 over the previous year, in order to comply with the Adams court order which called for stepped-up case resolution deadlines and 5 major surveys on higher education, elementary and secondary education and vocational education, as well as to assist in the compliance with congressionally mandated responsibilities--such as a minimum number of compliance reviews, increased efforts in the area of technical assistance, improvement of in-house staff capability, improvements with respect to the implementation of remedial action plans, the reinstitution of the publication of materials to explain to the public their rights and to conduct a needs analysis to determine workload and staffing levels. Yet the budget that has been sent up holds you to last year's position level.

How can you comply with all of the requirements at the same position level as last year?

Answer: OCR's reorganization, implementation of which began in October 1983, provided more effective and efficient utilization of staff resources. The Office has also achieved economies through a revised management-by-objectives system to ensure accountability of managers as well as to provide data for improving organizational operations; a revised management information system to provide more effective and efficient use of OCR's data resources and to reduce the reporting burden on the regional offices; an emphasis on training to assist staff in effecting OCR's responsibilities in the most effective manner; and an improved communications system between OCR headquarters and the regional offices.

In some cases, overtime has been used to manage heavy workloads. OCR is also in the process of identifying activities which could be contracted out.

Question: How many positions were contained in the Department's request to OMB?

Answer: The Department's initial fiscal year 1985 budget to OMB requested 970 FTE for 1984 and 1,001 FTE for 1985. This request was subsequently increased to 1,046 for both years when the Department received the Senate committee report.

SUPPLEMENTAL FOR MORE POSITIONS

Question: You are requesting an additional $1.717 million in your proposed supplemental to transfer funds to the Inspector General's Office from the Higher Education account in order to provide for 28 additional positions for the IG's office.

However, since you are now at the authorized ceiling for the Inspector General account, are we to assume that you expect the passage of authorizing legislation in the near future to mitigate this problem?

Answer: Specific legislation is being sought to amend the Omnibus Budget Reconciliation Act of 1981 to increase the authorization level for the Office of Inspector General. The Department is aware ofthe problem, and we expect passage of the necessary legislation in the near future.

COORDINATION OF ACTIVITIES

Question: The Grace Commission report criticized the level of coordination of activities supported by the National Institute of Education, the National Center for Education Statistics, and the Office of Dissemination and Professional Development, which may result in duplication of programs and projects. What plans do you have to improve this coordination in fiscal year 1985, and do you believe such coordination would result in any budget savings?

Answer: In our view, duplication of projects has not been a significant problem among these programs which are housed in the Office for Educational Research and Improvement (OERI). The functions of the programs are quite different and in the few cases where there is overlap, cooperation, rather than duplication, is the norm. For example, the National Center for Education Statistics makes use of the statistical data base on student achievement collected by the National Assessment of Educational Progress (NAEP) program managed by the National Institute of Education, thus avoiding duplicative data collection.

There has, however, been a problem in OERI of unnecessary duplication of management overhead functions, including budget, finance, procurement, and planning. Accordingly, during the last quarter of 1983 the Secretary directed the consolidation of these functions within OERI. We believe this action responds directly to the recommendations made in the Grace Commission report and that the streamlined OERI organization will be both more effective and more efficient. No further actions are considered necessary at this time.

STANDARD LEVEL USER CHARGES (SLUC)

Question: It is my understanding that there are offices within the Department which are in the process of moving to smaller quarters or reducing their available square footage. Yet it appears that your standard level user charges (SLUC) are projected to increase by over 60 percent for FY 1985. In addition, you are seeking a supplemental to transfer $2.2 million from the Higher Education account to cover SLUC charges for 1984.

How much space do you expect to have at the beginning of fiscal year 1985, as compared to what you had at the beginning of fiscal year 1984?

Answer: At the beginning of FY 1984 we had 1,391,064 square feet of space. At the beginning of FY 1985 we anticipate having 1,263,135 square feet of space or a reduction of 127,929 square feet.

Question: What has GSA advised you regarding its policy on this matter?

Answer: GSA advised us to prepare our 1985 SLUC estimate for space at 1985 rates which represent a 30 percent increase over 1984.

In accordance with our current space reduction plans, we expect to release approximately 249,000 square feet of space during 1984 at a savings of $940,000. This savings will partially offset the increased 1985 rates resulting in a net cost increase between 1984 ($14,311,000) and 1985 ($17,760,000) of $3,449,000, or approximately 24 percent.

The Congress, in its fiscal year 1984 appropriations, limited the rates that GSA could charge for space rental in 1984 to no more than the 1982 rates plus a 14 percent increase. Based on this, we currently estimate our 1984 costs to be $14,311,000. However, we only requested $11,994,000 for these costs in last year's 1984 budget, and now are requesting a supplemental to be funded from the unobligated balance from the Higher Education account to cover the 14 percent increase. When the costs that are to be paid from the supplemental are included in the 1984 base, it increases from $11,994,000 to $14,311,000.

POSITIONS

Question: How many of the 28 additional positions proposed for the Office of the Inspector General in a supplemental FY 1984 request are already "on board" at the Department?

Answer: Sixteen of the 28 additional positions are on-board and have been for most of fiscal year 1984. Selections have also been made to fill the remaining 12 positions and they should be on board within the next 60 days.

Question: Why do you need these 28 full-time equivalent positions?

Answer: The additional positions are necessary to maintain adequate audit coverage, properly conduct internal investigations, and carry out the fraud control functions mandated by the Congress.

Question: What would be the average grade level of these new positions and what administrative responsibilities would be assigned to these positions?

Answer: These positions are being filled with professional auditors and investigators in headquarters and regional offices with an average grade level of 10.5.

OFFICE FOR CIVIL RIGHTS - MAIL

Question: Mr. Heatherly, in 1982, you took $2 million for postal costs from funds appropriated for the Office for Civil Rights. In 1983, you took $4 million for postal costs.

Why did you underestimate your postal costs for these years, and how much do you plan to take in 1984?

Answer: We did not underestimate our postal costs in 1982 or 1983. Our intention at the time of the 1984 hearings was to utilize unobligated balances in expired program accounts to pay the 1983 mail bill in order to free up the funds that had been initially budgeted for mail. We hoped to absorb 100 percent of our pay raise costs and, thereby, avoid the necessity for a pay supplemental.

At the end of fiscal year 1983, the balances in those accounts were not sufficient to cover the mail costs. There was, however, a large balance in the OCR account which would otherwise have lapsed. It was on the basis of these facts that a decision was made to obligate the available OCR funds to pay the postage bill.

We do not plan to utilize 1984 OCR funds to pay postal costs not attributable to that office.

Question: Why didn't you request funding for postal costs directly?

Answer: Our initial budget submission did request direct funding for postal costs. However, as was stated above, the funds were later used to absorb the Department's pay raise costs; a portion of the postal costs were then obligated from OCR funds which would have otherwise lapsed.

Question: Why didn't you give the Committee specific notice that you were planning to take funds from OCR?

Answer: In the opening statement of the 1984 salaries and expenses hearings, we stated our intention to use funds from other than salaries and expenses under the authority of 39 U.S.C. 3206. We did not believe that the use of OCR funds would constitute a reprogramming action and, therefore, did not believe any further notification to the committee was required.

OFFICE FOR CIVIL RIGHTS - IN-HOUSE SHIFT

Question: Last year in your justification you explained that you were "significantly reducing contracts to provide technical assistance to grantee institutions, replacing that effort with OCR staff." "By 1984, the transfer of contractor expertise to OCR staff will enable the work to be done in-house..." Therefore, in September, we requested that a report be provided to us at the time of this year's hearing, outlining the development of this in-house technical assistance capacity.

After a year of working on it, are you now fully "transitional"?

Answer: Yes. OCR's reorganization, implementation of which began on October 24, 1983, provided for increased staff capacity to provide technical assistance and to integrate the technical assistance function with the compliance function in OCR regional offices. A copy of OCR's report on technical assistance activities was submitted on March 13, 1984, to the Senate Appropriations Subcommittee on Labor-Health and Human Services-Education and Related Agencies.

Question: Is the current reorganization of permanent staff somehow related to this transition to an in-house technical assistance staff and when can we look for things to settle down at OCR?

Answer: The OCR reorganization included a number of changes in the assignment of technical assistance responsibilities both at headquarters and in the regional offices. In headquarters, two branches were established to assist the regional offices in the development of a technical assistance program and to implement a technical assistance training program. The major function of these two branches is to increase the in-house technical assistance capability of OCR's regional staff. In the regional offices, the reorganization is designed to integrate the technical assistance with the compliance function. The reorganization is expected to lead to a 42.5 percent increase in the number of regional staff available to perform technical assistance activities, although these staff would be shifted to court-ordered activities, as necessary.

Question: During the transition from contracting for technical assistance resources to having them available internally, have you been able to address successfully the technical assistance needs of the persons and institutions you serve?

Answer: As indicated in the March 1984 report, Technical Assistance by the Office for Civil Rights, OCR has continued to provide technical assistance to recipients and beneficiaries. OCR has also completed an extensive review of its provision of technical assistance in order to develop strategies for enhancing the overall program. Additionally, a needs assessment is under development to determine the technical assistance needs of ED recipients and beneficiaries.

OFFICE FOR CIVIL RIGHTS - PUBLICATIONS

Question: As you know, the Committee directed OCR to reinstitute the publication of materials outlining provisions of civil rights laws and explaining actions to be taken by citizens who believe violations have occurred. How many such publications have been printed and distributed since last September?

Answer: In the five months since the appropriations bill was signed, OCR has distributed to State and local education officials 9,000 copies of a handbook describing alternative education practices for reducing the overrepresentation of minority students in classes for the educable mentally retarded. A second publication, a handbook for higher education institutions on recruitment and admissions of minority students to graduate and professional schools, is currently in the final stages of internal review. A third publication, a pamphlet addressing sexual harassment of students in higher education institutions, is currently in the final clearance stage.

OCR has an effort under way to evaluate its present publications for relevance and consistency with current policy. When that review is completed, a determination will be made of any additional needed publications.

OFFICE FOR CIVIL RIGHTS - SURVEYS

Question: When do you expect to award contracts to produce the data for the surveys on vocational, higher, and elementary and secondary education and what is their projected cost?

Survey Title	Scheduled Award Date	Estimated Cost
Elementary and Secondary School Civil Rights Survey	Sept. 28, 1984	$609,000
Vocational Educational School Civil Rights Survey	July 30, 1984	$760,000
Fall Enrollment* and Compliance Report of Institutions in Higher Education General Information Survey (HEGIS)	June 29, 1984	$225,000

There are two additional contracts scheduled for award in FY 1984, which are data collections but are not traditional OCR surveys.

Ninth Annual Report on Progress of Implementation of Statewide Higher Education Desegregation Plans**	June 30, 1984	$215,000
Postsecondary Student Services Issues***	Sept. 28, 1984	$455,000

*Jointly sponsored by NCES and OCR

**Collects and processes data for monitoring higher education desegregation.

***Research and development contract to explore postsecondary student service issues across all applicable statutes. Survey design and pilot test are included.

OFFICE FOR CIVIL RIGHTS - SURVEYS

Question: The March 13th Adams order mandates a follow-up of the 1979 survey of the handicapped on vocational education. The original survey basically covered the Nation. It is my understanding that OCR is now planning a stratified random sample--rather than a comprehensive survey. I question whether this complies with the spirit and intent of the Adams order.

How much money do you expect you would save using this short-cut method and can you assure us that a random sample would produce the same vital information as provided previously?

Answer: The sample survey approach is not a short-cut method, except insofar as it reduces the total burden placed on school

personnel across the Nation. In fact, the sample design involves more work for the Office for Civil Rights than would a census. Design work is required to ensure that the sample will provide accurate information that can be used for enforcement purposes. The savings that will result from the use of a sample approach will be realized by respondent institutions, not by OCR.

It is important to note that the sample is not a "random" sample in the sense that respondent institutions are picked without regard to enrollment statistics or other information that might indicate potential civil rights compliance problems. The sample is a stratified sample, which means that institutions are picked within defined categories. The sample draw will be based on enrollment statistics, so that OCR can focus attention on categories of institutions where the potential for compliance problems is highest.

Both the stratification and the sample size of the survey have been designed to ensure that sufficient numbers of institutions will be drawn into the sample to provide effective civil rights enforcement in this area. The survey data will provide more than sufficient data for the targeting of compliance reviews in vocational education and will enable OCR to make national and State projections on the status of civil rights issues in vocational education programs.

Questions Submitted by Senator William Proxmire

INSPECTOR GENERAL

Senator Proxmire: In 1980, the Senate Appropriations Committee directed the Inspectors General to include in their semi-annual reports a summary of the total amounts due their agency or department, as well as amounts overdue, and total amounts written off as uncollectable during the reporting period. This information was not included in your last report covering April 1 thru September 30, 1983. Please provide this information for the record.

Answer: As of September 30, 1983, the Department's total receivables were $11,260,035,002, of which $3,091,837,212 was noncurrent. Actual amounts written off during fiscal year 1983 were $203,791,589.

INSPECTOR GENERAL

Senator Proxmire: The budget justifications note that there will be an increased emphasis on auditing programs and contracts that are considered a priority. Can you tell us what your priorities are?

Answer: The OIG audit priorities are determined by the Inspector General Act and OMB Circular A-73 Revised, Audit of Federal Operations and Programs, and include such factors as: susceptibility to fraud, waste and mismanagement; newness; dollar magnitude and duration of activity or function; results of prior audits or program evaluations; and congressional interest. The fiscal year 1985 Annual Audit Plan will emphasize audits that

concentrate on identifying systematic problems and issues on a nationwide basis, audits directed toward evaluating the Department's systems of management controls and procedures, financial audits of ED accounting systems, ADP audits of automated systems and, audits of other areas for which the Department has the greatest exposure. We will also continue our commitment to facilitate implementation of the organization-wide audit concept in both State and local organizations, universities and non-profit organizations.

OFFICE FOR CIVIL RIGHTS

Senator Proxmire: As of last year, the most recent annual report issued to Congress by the Office for Civil Rights covered its 1980 activities. What have you done during this past year to make sure these reports are transmitted on a more timely basis?

Answer: Upon my appointment as Assistant Secretary for Civil Rights in 1982, I recognized that OCR's First Annual Report to the Secretary of Education, the President, and the Congress was already a year behind in the information it included. There was no regularized process in place for developing and transmitting of the Report.

I directed that the Second Annual Report cover two years (fiscal years 1981 and 1982) to bring the report current. I also instituted procedures to ensure OCR's Annual Reports remain current henceforth.

On March 31, 1983, I transmitted the Office for Civil Rights' Second Annual Report to the Congress. On April 28, 1983, it was reported in the Congressional Record that the report had been received and referred to the Senate Committee on Labor and Human Resources.

Senator Proxmire: Have the 1981 and 1982 annual reports been forwarded to Congress, and if not, why not?

Answer: Yes. A consolidated report covering 1981 and 1982 was transmitted to the Congress on March 31, 1983. OCR's Third Annual Report, which covers fiscal year 1983, will be issued imminently.

OFFICE FOR CIVIL RIGHTS - REORGANIZATION

Senator Proxmire: Mr. Singleton, last year you reported that the Office for Civil Rights seemed to be inefficiently structured, which resulted in turf fights and confusing lines of organization. What have you done during the past year to implement a more efficient organizational structure?

Answer: After identifying the inefficiencies in the Office for Civil Rights (OCR) organizational structure through both internal and external reviews, I designed a new structure for OCR headquarters and the regional offices. Final Departmental approval of my reorganization was obtained in May 1983. As a result of a variety of personnel considerations, implementation of the reorganization could not begin until October 1983.

The reorganization was designed to streamline operations and

improve operational efficiency. The reorganized structure eliminated overlapping functions within OCR and duplicative functions between OCR and other Departmental offices. The structure reflected changes, with special emphasis on training, data analysis and policy development and dissemination, to better enable OCR to perform its statutory responsibilities and its compliance with the Adams order.

DEPARTMENTAL MANAGEMENT - OTHER SERVICES

Senator Proxmire: Mr. Heatherly, over 22 percent of the total request for departmental management is for "other services", what activities are supported under this object class?

Answer: The activities supported by the object class "other services" are: automated data processing, contracts, reimbursable services, interagency agreements, training, field readers' contracts, SLUC-recurring (guard service and utilities), SLUC-non recurring (building renovations) and equipment repair and maintenance.

INSPECTOR GENERAL - GRACE COMMISSION

Senator Proxmire: The Grace Commission reports that coverage by the Inspector General's office is inadequate because of staff shortages and that, based on a staff level below 300, it is impossible to function properly in overseeing audits of roughly 8,000 institutions of higher learning, 50 state agencies, 12,000 local education agencies, 50 guarantee agencies, 17,000 lending institutions and as many as 12,000 contractors or grantees. Is the Commission's assessment the reason behind the fiscal 1984 supplemental request for $1,717,000 to increase your present staff level by 28 FTE positions?

Answer: The Commission's assessment of our staff shortages is not the reason for the 1984 supplemental request. The 1984 supplemental request is necessary to finance an additional 28 full-time equivalent staff, unanticipated space rental rate increases, interagency agreements for reimbursable audit services contracts, and travel for additional staff, which the current appropriation of $12,989,000 is not sufficient to support.

Senator Proxmire: What is your current audit and investigation backlog?

Answer: We do not have audit backlogs because we do not audit Departmental recipients on a cyclical basis. Rather, audits are planned and performed on a level of effort basis depending on our overall staffing levels.

In the Office of Investigation, we presently have 876 active cases/inquiries in progress.

Senator Proxmire: What are your targets for fiscal 1985?

Answer: Our fiscal year 1985 priority targets include:

- Increased attention to audits of the Department's ADP systems.

- Nation-wide audits of major ED programs that will concentrate on identifying systematic problems and issues.

- Internal audits of the Department's systems of management controls and procedures and financial/compliance audits of ED accounting systems.

- Continuation of a major role in initiating and participating in efforts to address the problems of fraud, waste and mismanagement and improving the operation of Government.

- Initiation of new pro-active investigation projects covering broader entities, e.g., multi-school holding companies, loan collection firms and Departmental contractors.

SUBCOMMITTEE RECESS

Senator WEICKER. I thank you all very much.

The subcommittee will recess until 9 a.m. tomorrow, when we will reconvene in this room for testimony on the administration's fiscal year 1985 budget proposals for compensatory education for the disadvantaged, education block grants, and impact aid.

[Whereupon, at 11 a.m., Tuesday, March 13, the subcommittee was recessed, to reconvene at 9 a.m., Wednesday, March 14.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 15, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:05 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Chiles.

DEPARTMENT OF EDUCATION

VOCATIONAL AND ADULT EDUCATION

STATEMENT OF DR. ROBERT M. WORTHINGTON, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

ACCOMPANIED BY:

PAUL V. DELKER, DIRECTOR OF ADULT EDUCATION SERVICES, VOCATIONAL AND ADULT EDUCATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. Good morning. The subcommittee will come to order.

This morning we are continuing our hearings on the Department of Education's fiscal year 1985 budget proposals.

Our first witness is Dr. Robert M. Worthington, the Assistant Secretary for Vocational and Adult Education.

Dr. Worthington, please be seated and introduce your colleagues. Your prepared statement will be placed in the record in its entirety, and you may proceed as you wish.

[The statement follows:]

STATEMENT OF ROBERT M. WORTHINGTON

I appreciate this opportunity to discuss the fiscal year 1985 budget request for vocational and adult education. These programs, which support the preparation of a skilled and literate workforce, contribute to our country's economic growth.

For fiscal year 1985, the President's budget request includes $738.5 million for vocational education and $100 million for adult education. As shown in Charts 1 and 2, these are the same as the enacted amounts for fiscal year 1984. Under the budget request, both vocational education and adult education funds would be expended under reauthorization legislation that the Administration has proposed for these programs.

Vocational Education

Consistent with our requests for 1983 and 1984, the budget request for fiscal year 1985 is based on the Administration's proposal to consolidate the State categorical programs for vocational education into a simplified grant to the States, plus a small set-aside for discretionary projects in areas of national concern. Unlike our earlier requests, however, we are no longer proposing to include adult education in the consolidation. In order to give greater prominence to the adult education program as part of the President's Adult Literacy Initiative, we are proposing separate legislation to extend, simplify, and improve the Adult Education Act.

The Administration's vocational education proposal has four principal objectives:

1. to consolidate the existing vocational education State grant programs into a single, simplified program of grants to States;

2. to reduce administrative burden and increase State and local flexibility over the use of funds;

3. to redirect Federal support to concentrate on vocational programs that will contribute to economic development; and

4. to help assure handicapped and disadvantaged students equal access to vocational programs.

Our vocational education bill was transmitted to Congress on February 8 and has been introduced in the Senate as S. 2302 by Senator Hatch and in the House as H.R. 4793 by Congressmen Erlenborn, Bartlett, Nielson, and Packard. As the reauthorization process continues this spring, we will be working closely with the Committes to ensure that the bill that emerges is compatible with our objectives.

Mr. Chairman, as you can see from Chart 3, total expenditures for vocational education, from local, State, and Federal sources, have increased from less than $2 billion in 1971 to approximately $8 billion in 1982. Over this period, the proportion of funds contributed by non-Federal sources has increased to a point where,

in the last few years, about 9 in every 10 dollars have been contributed by State and local governments (Chart 4).

As I mentioned, we are requesting $738.5 million for vocational education in 1985. Of this amount, $15.3 million would be used for national programs such as the National Occupational Information Coordinating Committee, the National Center for Research in Vocational Education, the program for Indian tribes and organizations, the curriculum coordination centers, and the special projects. The remaining $723.2 million would be used for State grants. If we assume that 5 percent would be required for State administration, then, under our bill, at least $206.1 million would be used for economic development and skilled workforce training and at least $206.1 million would be used for strengthening State and local systems of vocational education. The remaining $274.8 million would be used for either of these two purposes, at State discretion. In addition, at least $68.7 million would be used for special services for the handicapped and at least $137.4 million for special services for the educationally disadvantaged.

Adult Education

On February 14 the Secretary transmitted to Congress a bill to reauthorize, simplify, and improve the Adult Education Act. The principal purpose of the bill is to permit greater flexibility over the use of funds, while ensuring that the basic focus of the program continues to be achieving basic literacy for adults. Additional purposes are to increase the involvement of the private sector in the delivery of adult education services, to permit the Department to collect basic data on program operations, and to authorize services to young adults not currently eligible to participate in the program. In all, the amendments would make little change in the operation of the current program, because we believe, in general, that the adult education program is working well and that it addresses an important national need. Congressional consideration of our adult education proposal will officially begin the week of March 19 in hearings before the Senate Education Subcommittee.

As you can see from Charts 3 and 5, total spending for adult education has increased to $221 million a year and the proportion of funding contributed by State and local sources has increased to 55 percent. For fiscal year 1985, $100 million is requested for adult education. All of the money would be used for grants to States. This should be sufficient funding to support some 2.2 million enrollments, about the same number that have been served in the last three years. The activities of the National Adult Literacy Initiative, which is seeking additional private-sector and volunteer support for adult education, is likely to enable the program to reach even more people.

My colleagues and I are now ready to take your questions.

Biography of Robert M. Worthington

NAME	:	Robert M. Worthington
POSITION	:	Assistant Secretary for Vocational and Adult Education
BIRTHPLACE AND DATE	:	Saskatchewan, Canada May 31, 1922
EDUCATION	:	Eastern Kentucky State University, 1948 Bachelor of Science University of Minnesota, 1949 Master of Arts University of Minnesota, 1958 Doctor of Philosophy
EXPERIENCE	:	
PRESENT	:	Assistant Secretary for Vocational and Adult Education
1979-1981	:	Associate Commissioner of Higher Education, Utah State Board of Regents Director of Technical and Community Colleges, Vocational Education, Capital Facilities and Campus Planning
1974-1979	:	Chairman and Senior Research Associate, Career Development Associates, Inc., Princeton, New Jersey
1973-1974	:	Visiting Professor of Education, Rutgers University, Graduate School of Education
1971-1973	:	Associate U.S. Commissioner of Education Director, Bureau of Adult, Vocational and Technical Education, U.S. Department of Health, Education and Welfare
1965-1971	:	Assistant Commissioner of Education Director, Division of Vocational Education, New Jersey State Department of Education
1958-1965	:	Professor and Chairman, Department of Industrial Education and Trenton State College, Trenton, New Jersey
1956-1958	:	Industrial Education Supervisor, Minnesota State Department of Education
1954-1956	:	Instructor, Industrial Education, University of Minnesota
1953-1954	:	Teaching Assistant, University of Minnesota
1952-1953	:	Instructor, Manufacturing Processes, School of Engineering, Purdue University
1949-1952	:	Teacher and Athletic Coach, Johnson High School, St. Paul Minnesota

ASSOCIATION MEMBERSHIP :

American Vocational Association
American Education Research Association
American Association of School Administrators
American Industrial Arts Association
Epsilon Pi Tau
Phi Delta Kappa
Iota Lambda Sigma
Mu Iota Epsilon
Alpha Psi Omega

PUBLICATIONS:

Author, Careers, an Overview (Prentice-Hall), 1976
Senior Author, General Power Mechanics, (McGraw-Hill), Second Edition, 1976

Co-Author, Protecting the Vision of Children, (Charles G. Thomas), 1969

150 Articles and papers published by journals, learned societies, government agencies

Chart 1

DEPARTMENT OF EDUCATION
1985 BUDGET
VOCATIONAL AND ADULT EDUCATION APPROPRIATION
(MILLIONS OF DOLLARS)

	1984 APPROPRIATION	1985 PRESIDENT'S BUDGET
VOCATIONAL EDUCATION CONSOLIDATION (PROPOSED LEGISLATION)	$ ---	$731.3
ADULT EDUCATION GRANTS TO STATES (AEA)	100.0	100.0
VOCATIONAL EDUCATION (VEA)	738.5	7.2
TOTAL	$838.5	$838.5

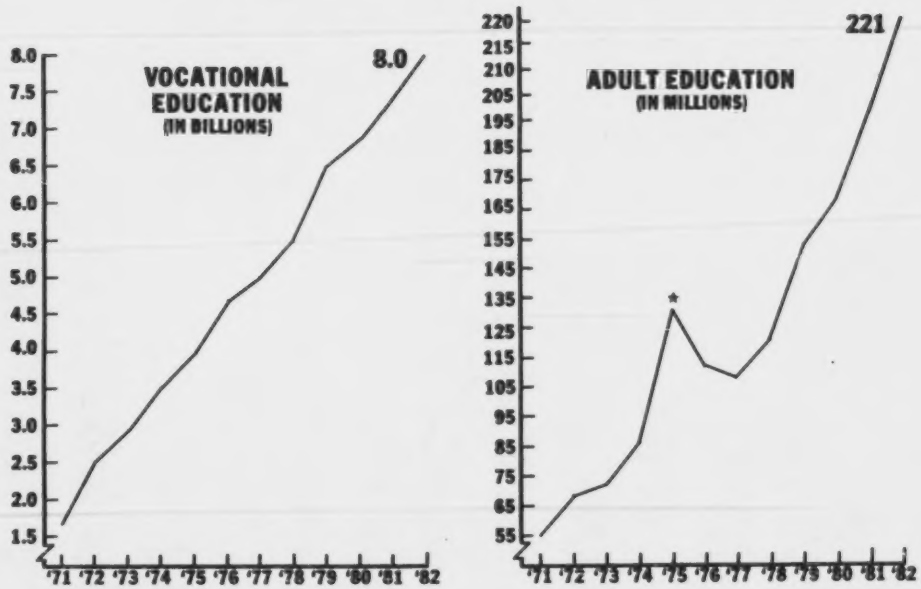
Chart 2

DEPARTMENT OF EDUCATION
1985 BUDGET
VOCATIONAL AND ADULT EDUCATION APPROPRIATION
(MILLIONS OF DOLLARS)

	1984 APPROPRIATION	1985 PRESIDENT'S BUDGET
VOCATIONAL EDUCATION CONSOLIDATION (PROPOSED LEGISLATION)	$ ---	$731.3
ADULT EDUCATION GRANTS TO STATES (AEA)	100.0	100.0
VOCATIONAL EDUCATION (VEA)		
BASIC GRANTS	566.9	---
STATE PROGRAM IMPROVEMENT GRANTS	99.6	---
PROGRAMS OF NATIONAL SIGNIFICANCE	8.2	---
SPECIAL PROGRAMS FOR DISADVANTAGED	14.4	---
CONSUMER AND HOMEMAKING EDUCATION	31.6	---
STATE ADVISORY COUNCILS	7.0	---
STATE PLANNING	3.6	---
PERMANENT APPROPRIATION	7.2	7.2
SUBTOTAL (VEA)	738.5	7.2
TOTAL	$838.5	$838.5

Chart 3

TOTAL EXPENDITURES (FEDERAL, STATE, LOCAL)



* THE 1975 FIGURE IS HIGH DUE TO THE EXPENDITURE OF APPROXIMATELY $23 MILLION OF IMPOUNDED FUNDS FROM 1973.

Chart 4

FEDERAL/STATE SHARE OF TOTAL VOCATIONAL EDUCATION EXPENDITURES

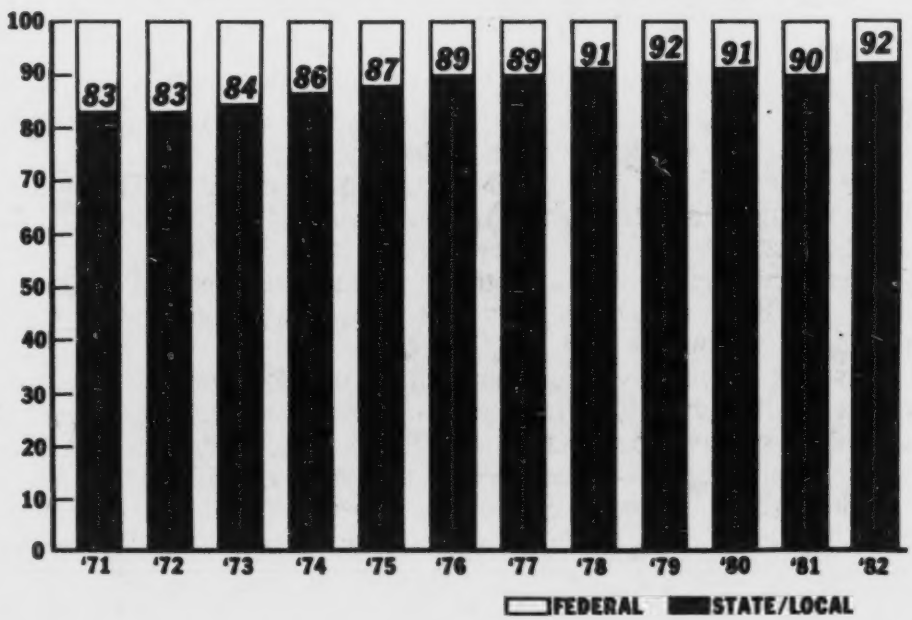
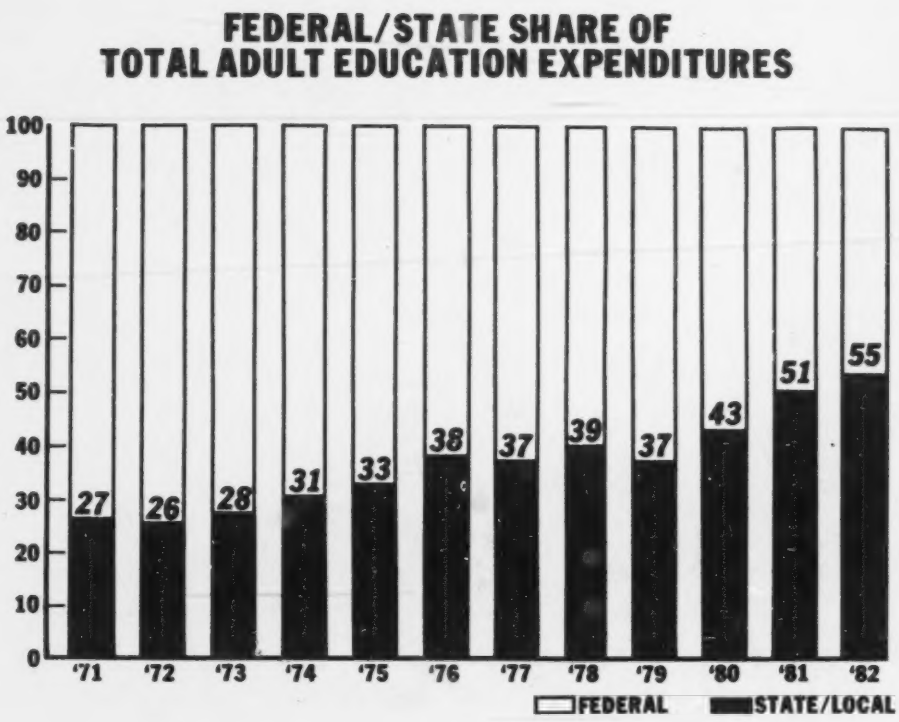


Chart 5



INTRODUCTION OF ASSOCIATES

Dr. WORTHINGTON. Good morning, Senator. We are pleased to have this opportunity to discuss the vocational and adult education budget for fiscal year 1985 with you.

On my right is Sally Christensen, Director of the Budget Service for the Department; on my left is Paul Delker, Director of Adult Education Services.

With your permission, I would like to summarize the highlights of our prepared statement. Our prepared statement also has an attachment of five charts which describes our budget request.

For fiscal 1985, the President's budget request includes $738.5 million for vocational education, as shown on chart 1, and $100 million for adult education.

Under the budget request, both vocational education and adult education funds would be expended under reauthorization legislation that the administration has proposed for these programs.

First, let me discuss vocational education. Consistent with our requests for 1983 and 1984, the budget request for fiscal 1985 is based on the administration's proposal to consolidate State categorical programs into a simplified grant to the States plus a small set-aside for discretionary projects. Unlike our earlier requests, we are no longer requesting consolidation of adult education with vocational education. We are also

proposing a legislative initiative to extend, simplify, and improve the Adult Education Act.

Our vocational education proposal has four principal objectives—to consolidate and simplify, to increase the flexibility, to place emphasis on economic development, and to emphasize access for the handicapped and disadvantaged.

Our vocational education bill was transmitted to Congress on February 8 and has been introduced in the Senate as S. 2302 and in the House as H.R. 4793.

Mr. Chairman, as you can see from chart 3, total expenditures for vocational education from local, State, and Federal sources have increased from less than $2 billion in 1971 to approximately $8 billion in 1982.

Over this period the proportion of funds contributed by non-Federal sources has increased to a point where in the last few years about $9 in every $10 has been contributed by State and local governments, as shown on chart 4.

As I mentioned, we are requesting $738.5 million for vocational education in 1985. Of this amount, $15.3 million would be used for programs of national significance, including the National Occupational Information Coordinating Committee, the National Center for Research in Vocational Education, curriculum coordinating centers, and the special projects. The remaining $723.2 million would be used for State grants.

If we assume that approximately 5 percent, or $36.2 million, would be required for State administration, this would leave $206.1 million to be used for economic development and $206.1 million for strengthening State and local systems of vocational education. That would leave $274.8 million to the discretion of the States.

In addition, at least $68.7 million would be used for special services for the handicapped—that would represent a small increase for the handicapped over the current minimum—and at least $137.4 million for special services for the educationally disadvantaged. That would represent about a 3-percent increase.

On adult education, on February 14 the Secretary submitted amendments to the adult education legislation. The principal purpose of our proposal is to permit greater State flexibility over the use of funds while continuing to emphasize basic literacy for adults, to increase the involvement of the private sector in adult education, to authorize us to collect basic data which your committee has asked us for, and also to authorize services to young adults not currently eligible for participation in these programs.

We will be testifying on March 19 before the Senate Education Subcommittee on this matter.

As you see in charts 3 and 5, total spending for adult education has also increased. Total spending for adult education has increased to $221 million a year, starting way down at $55 million; $221 million represents all funds available—Federal, State, and local.

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For fiscal year 1985, we are requesting $100 million for adult education. All of these funds would be used for grants to the States. This should be sufficient funding to support some 2.2 million enrollments in the program, about the same number as has been served in the last 3 years.

With the President's national adult literacy initiative, we are hoping to involve more volunteers and generate more private sector support, so we might increase the number of students served over the next year.

Senator, that concludes our brief overview. We would be very pleased to respond to any questions that you or members of your subcommittee may have.

BLOCK GRANT PROPOSAL

Senator WEICKER. Let me understand this. You have legislation before the Congress vis-a-vis this proposed block grant, right?

Dr. WORTHINGTON. That is correct. It is not necessarily a block grant. It is a modified approach, a simplified consolidation is really what it is. It still has certain requirements the States must meet.

Senator WEICKER. And what if that legislation is not approved? How does that affect the budget?

Dr. WORTHINGTON. The budget would be under the current legislation, depending on what the Congress does.

Our request is very simplified, you would understand. A minimum of 30 percent goes to the economic development program and a minimum of 30 percent to program improvement.

If the present legislation remains in force, of course, there are requirements for the various funds to be followed. We have an alternative approach to that.

Senator WEICKER. The bottom line figure would not change?

Dr. WORTHINGTON. The bottom line figure would not change. It would be the same.

Senator WEICKER. So, in effect, you are asking for level funding this year?

Dr. WORTHINGTON. We are asking for level funding which is considerably more than we asked for last year.

If you recall, we asked for $500 million total for vocational and adult education last year.

Senator WEICKER. And the final figures arrived at were by virtue of the increases imposed by Congress; is that what you are saying?

Dr. WORTHINGTON. Yes; last year we requested $500 million, and Congress appropriated $738.5 million for vocational education plus $100 million for adult education.

Senator WEICKER. So that the figure is level funding compared to last year's law?

Dr. WORTHINGTON. Correct.

INFLATION ASSUMPTIONS

Senator WEICKER. What are the inflation assumptions by the administration in preparing the budget for fiscal year 1985?

Ms. Christensen. For fiscal year 1985, about 3 percent.

Senator WEICKER. So that at the minimum we are talking about a 3-percent reduction in funding for these programs, right?

I am using the administration's figure.

Dr. WORTHINGTON. If you assume inflation is less than 4 percent, yes.

Senator WEICKER. I am not assuming it. You are assuming it, so don't hedge on this. I am using your figure. I am not using mine. I am not using CBO's. I am using the administration's figure. It is a 3-percent reduction, is that right?

Dr. WORTHINGTON. That would be correct in real dollars.

Ms. CHRISTENSEN. Also, Senator, we do not budget for inflation, per se, in any given year. If you look at the out-years, though, in some of the major State programs such as this, the President's budget does show increases for inflation.

Senator WEICKER. Just to make sure of what is going on here, and I don't want to be unfair, has there been a reduction in those desiring adult education or those that would be eligible for the vocational education programs under your aegis? Are those declining?

Dr. WORTHINGTON. We don't know. We don't believe so. We feel the same number of persons will be in adult education. For example, approximately the same number are coming into the pool that need the services, either through immigration or persons who finish high school with a piece of paper that doesn't mean they are functionally literate. We feel about 2.2 to 2.3 million persons annually are coming into the pool that need adult basic education.

That is why the administration has launched the Secretary's basic literacy initiative because we feel by enlisting volunteers in the private sector we can begin to get at that pool while at the same time holding our budget request level.

Ms. CHRISTENSEN. I would also add to what Dr. Worthington said earlier that our budget is such a small percentage of the total that it would not really affect enrollments at all.

Senator WEICKER. I don't have the statistics here to back me up; I just have to do it by observing the world around me—and I am sure the Senator from Florida can speak on what is going on in his State—but, as I look at adult education in Connecticut those numbers increase normally every year.

No. 1, the population gets older, but more importantly, as many adults try to get that education which they sacrificed in order to work to give their children an education—and I bet you that any survey taken is going to support me—that group of clients is not static and certainly isn't declining. It is probably increasing at a very, very rapid rate.

The same holds true of vocational education where, again speaking for Connecticut, I cannot believe that with the enormous increases in

defense spending requested by this administration that there isn't going to have to be a corresponding increase in the availability of vocational education to meet the demands of the defense spending in terms of those types of skills.

Dr. WORTHINGTON. We concur with that. In fact, we have established a joint committee with the Department of Defense—the Committee on Education and Training for National Security—which I cochair with Assistant Secretary Korb.

We have been addressing our attention to the skilled work force shortage that may develop in the defense industrial base or in the Reserve or Active Forces. We are working very diligently.

We have several projects either about to begin or underway. One is in the precision metal skills field, in which we have identified a shortage of workers.

As for serving adults, our vocational education proposal places special emphasis on retraining and upgrading of adults. The adult education program is limited by law to adult basic education and high school equivalency. Only 20 percent goes to high school equivalency, as you know.

So the retraining of many adults that Connecticut and other States must do will come under the Vocational Education Act, with some support from JTPA—the Job Training Partnership Act—in close collaboration with——

STAFFORD-PELL BILL

Senator WEICKER. I understand Senator Stafford's Education Subcommittee has just reported out a bill that calls for a $900 million authorization for vocational education alone. I am told by the staff director that the House bill is much higher than that.

Would you care to comment on that?

Dr. WORTHINGTON. Well, in our testimony regarding the House bill, we said that the requested funding level was too high, and I believe that the House has now reduced that to "such sums as may be necessary." I don't believe it is a specific figure.

Senator Stafford's bill I believe is $900 million, as you say. We support many of the components of the Stafford-Pell bill, although there are some parts of the proposal that we do not agree with.

We would like a reduction of paperwork, as well as increased flexibility. There are 19 set-asides in the Pell-Stafford bill, while our bill has attempted to eliminate set-asides.

We have, as you know, set-asides only for handicapped and disadvantaged in the administration's bill.

TOTAL SPENDING FOR VOCATIONAL EDUCATION

Senator WEICKER. Well, one last comment, and then I will move over to Senator Chiles.

You spend, using a rough figure, $250 billion on defense, and a portion of that is for actual hardware, and yet here we are with vocational

education programs totaling $738 million, and obviously that which would apply in terms of skills needed to produce the hardware included in $250 billion is only a portion of that.

It really seems to me this is an underfunded budget request, and I think to come in with a budget that is lower than last year's level, which this is in a matter of real dollars, is a contradiction to what the administration, by either rhetoric or by budget requests in other areas, seeks to achieve.

Dr. WORTHINGTON. Senator, may I comment?

Senator WEICKER. Please do.

Dr. WORTHINGTON. I think if you look at the chart on the left, you will find there is an $8 billion, approximately, vocational education program in operation. Less than $1 billion of Federal dollars serves as a catalyst to generate the State and local funds, and this has been documented, as you see, through the years.

The total program is $8 billion, and going back as far as 1971, it was only 83 percent State and local. That has increased to 92 percent State and local.

Senator CHILES. At what stage do you lose the ability of that happening? I mean, you are right. It used to be only 83 percent. Now it is 92 percent. When is it going to be 100 percent State and local, and when is that going to break off?

We use these as trigger dollars, you know.

Dr. WORTHINGTON. We are not proposing that that would happen. We feel there is a Federal role for vocational education.

Senator CHILES. I yield back to the chairman. You are about to kill the cow.

Ms. CHRISTENSEN. Could I make one further point?

The total spending—I know you are talking about vocational education, but if you look at total spending in education—has increased by 7 percent between 1983 and 1984 from State and local and Federal sources; whereas, the inflation increase is only 3 percent. Plus, the 9-percentage-point decline in inflation in the past 3 years has added $20 billion to the total purchasing power of education.

I think that is an overall figure, obviously not specifically related to vocational education, but I think it is a point we need to keep in mind, that education spending in total is going up faster than the rate of inflation.

Senator WEICKER. Senator Chiles.

Senator CHILES. Thank you, Mr. Chairman.

THREE LEGISLATIVE APPROACHES

In 1981, the 5-year study of vocational education by the National Institute of Education reached the three broad conclusions: That the Vocational Act, as currently written, tried to accomplish too much with too little resources; that the Federal purpose in vocational education was poorly designed and focused; and there were sometimes mismatches between the Federal policy goals and the moneys relied upon to reach those goals.

Realizing the goals of Federal policy in vocational education, it heavily depended on State and local policies and practice and resources. That report found that there was both a burden of Federal regulation and requirements in vocational education, and also it was combined with more targeting and accountability.

As you know, Congress is in the process of reauthorizing the Vocational Education Act, and a broad consensus is that the funds should be targeted and the Federal role defined to promote quality and improvement and access to special needs groups.

The bill being developed by the Labor and Human Resources Committee seeks to achieve those goals by insuring the Federal dollars be allocated to each priority.

The bill that I have introduced and Senator Domenici's seeks the same goal by assessment of planning and a goal-setting process, and the approach of administration, on the other hand, is this block grant.

How will the block grant that you all are proposing effectively target funds to our national priorities?

Dr. WORTHINGTON. We have, we believe, responded to that research in that we have targeted the dollars to what we consider to be the two most important priorities: Economic and skilled work force development, for which the States would be required to spend a minimum of 30 percent, and program improvement, which includes curriculum development, teacher training, a whole variety of program improvement activities, another minimum of 30 percent.

Senator CHILES. How about access?

Dr. WORTHINGTON. We have, as I pointed out in my opening statement, requested a set-aside for the handicapped which would increase the handicapped funding by 3 percent for 1985. For the disadvantaged our set-aside would increase the minimum by 3 percent.

So we have addressed those concerns of the NIE study. We have also conducted a study funded under the discretionary portion of our law, the National Academy of Sciences study, which does point to the access question you raise and has made several suggestions.

Starting next week, we are holding a series of regional forums to get input from State and local educators and legislative leaders on how we might get at that access problem in addition to our legislative proposal.

We think a lot of that has to do with informing the public on what is available and finding ways to recruit persons into vocational education better than we are doing presently in certain programs.

FLORIDA AUDIT

Senator CHILES. Doctor, for a number of years, the Florida Department of Education has been responding to some audit exceptions regarding the State use of carryover funds under the Vocational Education Act, using what was known as the Tydings amendment. The State was using the 12-month extension of funds in good faith.

I understand the original audit exceptions were nearly $28 million, and that was settled in the State's favor except for a $766,000 figure.

Our Commissioner of Education received the final letters of determination in November 1982, which reduced the amount of funds requested and recovered by $276,000.

I understand the State responded to that and met with your staff in October 1983 to submit evidence that all of the funds in question were spent consistent with the Tydings amendment.

To date, the State of Florida has not heard anything from the Department on these issues, and I wonder if you could tell me why there hasn't been a response, and when can the State expect to hear something, and I would like to have a copy of your response.

Dr. WORTHINGTON. Just last week I did meet with the State director, Joe Mills, to discuss the matter with him. We also informed the State that we did not concur with the total, $27.5 million, as you pointed out. We have explained to the State the procedures that they can follow to recover a major share of that $700,000 that still remains, but we feel the State essentially carried out the provisions of the act legally. We agreed with the State. We did not agree with the audit.

Mr. Mills knows what we have done, and we have worked directly with him. Dr. Lee Cornelson is with me here today. He has worked very closely with Joe Mills.

Senator CHILES. I would appreciate your copying me on that.

Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much. There will be other questions submitted to you for response.

Dr. WORTHINGTON. We would be pleased to answer them. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

MORE FLEXIBILITY FOR BASIC GRANT FUNDS

Senator Weicker: You report that over 80 percent of Basic Grant funds are used for support of regular vocational education programs. In addition, you cite a number of evaluation studies which indicate the need for improving and redefining the objectives of the programs.

If current Federal objectives in vocational education have not been fully realized, with States using 80 percent of their Basic Grant funds for support of these programs, why are you proposing that States and localities be given more flexibility than allowed under current law?

Answer: Although Basic Grant funds may be used to support fifteen different categories of activity, the Vocational Education Data System (VEDS) data indicate that, in recent years, about 80 percent of all Basic Grant money has been expended in one category: "vocational education programs." Although this category includes a range of activities (e.g., materials, equipment, initiation of new programs, continuation of existing programs), it is probably safe to say that most of the funds are used for the "regular" vocational education program, as opposed to more specialized activities such as research, sex equity programs, support services for women, cooperative education, or displaced homemaker programs.

The Administration's consolidation bill responds to the charge (in the National Institute of Education Vocational Education Study) that the vocational education program attempts too much with too few resources. Our bill would target support to a few Federal priorities: (1) programs and services specifically related to State and local economic development (a 30 percent set-aside); (2) strengthening State and local systems of vocational education (a 30 percent set-aside); and (3) helping to assure the handicapped and disadvantaged equal access to vocational programs (through set-asides of 10 percent for the handicapped and 20 percent for the disadvantaged). Within these priority areas the States would have broad discretion in designing and implementing programs and services most appropriate to State and local needs. We believe that this legislative structure would ensure that the Federal contribution to vocational education is used for program modernization and development of programs and services which contribute to meeting the Nation's economic development needs.

DATA COLLECTION

Senator Weicker: The justifications imply serious problems in collecting statistics regarding enrollment counts by curriculum as well as for the participation of special populations (handicapped, disadvantaged, and limited English-proficient students) in vocational education Basic Grant programs.

What is the reason for this problem, and what action are you taking to correct it?

Answer: Experts within and outside the Department of Education have carefully studied the Vocational Education Data System (VEDS)

and its inability to produce accurate, reliable, and policy-relevant information. They have identified the following causes of this problem:

- Because VEDS is mandated partially as a compliance review system, the designers of VEDS decided that the system would collect data only on Vocational Education Act (VEA)-supported enrollments. This decision had the unfortunate consequence of obscuring whether year-to-year variations (generally very large) in State-reported enrollment and completion figures were caused by changes in the local distribution of VEA funds or by actual shifts in student participation.

- VEDS failed to prescribe any sort of reasonable thresholds for reporting student enrollments. States were able to count as little as one student appearance in class as an "enrollment." In the reported totals, an eight-week program counted as much as a two-year program. Consequently, it has never been possible to draw any inferences from the data about the total quantity of service being delivered.

- VEDS required collection of data at a level of detail far beyond what program administrators could provide with any reliability, including enrollments and completions in 116 different occupational areas, and by sex, race or ethnicity, and handicapping condition.

- Undocumented differences in actual State and local methods of counting students resulted in non-comparable and uninterpretable reports.

- Most vocational educators are not equipped to make reliable distinctions with respect to certain categories of special-needs students. For instance, many find it difficult to identify the limited English proficient or to distinguish between such handicapping conditions as "mentally retarded" and "specific learning disabled."

- VEDS followed the intent of Congress by requiring operation of follow-up surveys. Although thousands of hours were spent collecting follow-up data, high non-respondent bias greatly reduced the value of the data collected.

The Department is taking several steps to correct this problem. The first is to suspend operation of VEDS, as required by OMB. In addition, we continue to argue strongly against reauthorization of the VEDS system. During its five-year existence, VEDS has consumed at least $200 million in Federal, State, and local resources, but has not produced data of any consistency, reliability, or assured validity. The effort has clearly not been worth it. What is needed is the collection of fewer, more accurate benchmark statistics on vocational education. Collections should reflect the key programmatic issues identified in Federal law, but without all of the detail of VEDS. Because conditions do not change very rapidly in vocational education, an annual data collection is not needed. Because State-level compliance reports are of very limited value, the Department should be permitted to collect information by sampling actual vocational education providers and students.

Planning for replacement of VEDS with a system constructed along these lines is underway in the Department. The Department has adequate authority, under the General Education Provisions Act, to conduct this type of data collection. That is why we have not included a specific mandate for a national vocational education data system in our proposed Vocational Education Consolidation Act.

OHIO STATE CENTER

Senator Weicker: The justifications indicate that although the National Center for Research in Vocational Education complies with Federal contracting requirements, the Center has accomplished little to improve the quality and effectiveness of vocational education.

What steps is the Department taking to improve the quality and effectiveness of the Center?

Answer: The Center is now operating in the second year of its second five-year contract. The Department has been more diligent about monitoring Center products under the new contract. The Office of Vocational and Adult Education (OVAE) sends a monitoring team, composed of staff from different parts of the Office, to Ohio State every month. In the past, on-site review of Center operations was less frequent. OVAE has also become more demanding in its review of center publications.

All proposed Center products must now be reviewed by the Department's Publications and Audiovisual Advisory Council (PAVAC) prior to their preparation. This ensures that the publications are not duplicative of other work.

Finally, the role of the Center's advisory council has been greatly expanded under the current contract.

ADULT EDUCATION

Senator Weicker: Tuesday, the Secretary testified that there are as many as 23 million Americans who are functionally illiterate or operate at a marginal level or below. You have indicated that we would be able to serve about the same number of people -- 2.2 million -- this year as last, assuming no change in the authorizing statute. However, you also indicate that the proportion of funding contributed by State and local sources has increased to 55 percent in 1982 from 51 percent in 1981.

Given the immensity of the problem, it appears that there is not a great deal more weaponry proposed to fight this battle, even in light of the new National Adult Literacy Initiative.

How successful have the activities of the National Adult Literacy Initiative been so far in their efforts to seek additional private sector and volunteer support for adult education?

The Adult Literacy Initiative was only established last fall, so it is too early to know how successful this effort will be in generating private sector and volunteer support for adult literacy programs. Yet the progress of the Initiative to date indicates that success will be forthcoming. Some of the accomplishments in the first six months include:

- The Initiative is working closely with the Coalition for Literacy, made up of 11 national non-profit organizations. The primary goal of the coalition is to increase public awareness of the literacy problem in America. Participating organizations include the American Library Association, the American Association of Advertising Agencies, B. Dalton Bookseller, the International Reading Association, and the Literacy Volunteers of America.

  In January, Secretary Bell presented the Coalition with a $50,000 grant from the Chapter 2 Secretary's Discretionary Fund. The grant will be used to support a national awareness campaign, mounted by the National Advertising Council, and to support CONTACT, Inc., a non-profit organization which responds to inquiries about adult literacy training and tutoring opportunities through an 800 number and a computerized data base. Funding for the advertising campaign is expected to be supplemented with $2 to $3 million in private sector contributions and possibly as much as $20 to $30 million in free advertising time.

- The Initiative has selected 18 colleges, universities, and community colleges to carry out demonstration projects employing college work-study students in adult literacy programs. These colleges (including such institutions as UCLA, Macalester, and Columbia) were selected on the basis of experience in and commitment to community service. This effort is intended to develop local programs (generally in conjunction with other groups in the communities) that can be replicated by colleges across the country. As word of this project has spread, more colleges have notified the Department that they will devote a portion of their college work-study resources to adult literacy activities.

- The Initiative is working cooperatively with the "Assault on Illiteracy Program," a consortium of national black organizations (such as the NAACP, the Opportunities Industrialization Centers, and the Delta Sigma Theta sorority) on the development of programs aimed at eradicating illiteracy in the black community. An area of particular emphasis will be pre-literacy motivation programs aimed at out-of-school youth.

- To complement the work of the Initiative, Harold W. McGraw, Jr., Chairman of McGraw-Hill, Inc., announced the formation of the Business Council for Effective Literacy. This Council, which includes the heads of a number of the Nation's largest corporations as well as leaders in education and the professions, will work to foster greater corporate awareness of and participation in adult literacy activities by making available research reports, professional and technical assistance, and other information. Mr. McGraw provided the Council with an initial grant of $1 million. It is hoped that the work of the Council will lead to greatly expanded corporate support for adult education.

- Planning for the Federal Employee Literacy Training (FELT) program is well underway. The program is being coordinated through the Secretary's Regional Representatives. Beginning in May or June, Federal employees around the country will be recruited to serve as volunteers in literacy programs. Federal agencies will also assist in locating space for conducting local programs.

- The national problem of adult literacy and the need for additional volunteer and private-sector assistance has been publicized through such activities as the National Adult Literacy Conference (January 19-20), the Adult Literacy Video Teleconference (February 29), and Secretary Bell's address on adult literacy before the American Association of Community and Junior Colleges. The staff of the Initiative have also contacted a large number of national service and church organizations, many of whom are now developing their own adult literacy projects. These efforts will continue.

Questions Submitted by Senator William Proxmire

NATIONAL CENTER FOR RESEARCH IN VOCATIONAL EDUCATION

Senator Proxmire: This year you are requesting $4,685,000 for the National Center for Research in Vocational Education, an increase of $285,000 over the Center's current budget.

According to an evaluation of the Center's programs that was summarized for last year's hearing record, the Center has:

- provided compatively little assistance to interests that control the overall direction of vocational education policy;
- not produced deliverables which provide the basis for systematic improvement in the quality and effectiveness of vocational education services;
- added very little that is new to the existing fund of information;
- produced work that did not reflect the most current research methodologies and would not compare favorably with the Nation's best public policy research; and
- produced results that would be unlikely to lead to significant improvement in vocational education.

In view of these glaring shortcomings, why should the American taxpayer continue to support the Center?

Answer: Vocational education must adapt to the needs of a changing economy by producing workers trained in new technologies, for work in new or evolving industries, or to use new skills in their current jobs. We believe that these demands on the vocational education enterprise will require continuing efforts in research, curriculum development, dissemination, and leadership development. These efforts will be most effective if conducted at the national level, because the States will not always have the resources needed to support quality research, because State efforts would tend to be fragmented and duplicative, and because only at the national level are the questions addressed and the projects undertaken likely to transcend State or regional interests.

We believe that it is justified at the current time to conduct much of this national research and development effort through a single national center. By assembling scholars from a variety of

disciplines and with a variety of skills and interests to work on vocational education research, the Department seeks to maintain a "critical mass" of capability which can generate better output than if the researchers were scattered across the country. The scholars at the Ohio State Center are able to work with one another and to interact with the visiting researchers, outside speakers, and other experts who frequently come through the Center's doors. The Department continues to take measures to improve the performance of the current Center at Ohio State. (See earlier answer to Senator Weicker's question.)

Note that the Administration's proposed Vocational Education Consolidation Act does not require the conduct of national research and development through a national center. The Department intends to evaluate continuously how best to carry out needed research and development activities and will not hesitate to alter institutional arrangements if that is appropriate.

The appropriate level of support is another matter. The Senator's question indicates that the Department is seeking to increase funding for the Center above the current level. This is simply not true. A little recent history of funding for the Center may illuminate further.

For the program year beginning in January 1983, the Department intended to fund the Center at approximately $4,400,000. However, the Congress prevented this by enacting a $1,000,000 supplemental appropriation for the Center (through the 1982 supplemental appropriation act) and instructing the Department, in report language, to fund it at $5,400,000.

For the year beginning in 1984, when Congress did not provide any specific instructions regarding the Center, the Department reduced its funding to $4,575,000.

For 1985, the Department proposed to fund the Center at $4,400,000. The Congress, however, in report language accompanying the 1984 appropriation act, specified that the Center be funded at $5,400,000.

For the 1986 program year (which will be funded through the 1985 appropriation), the Department now proposes to fund the Center at $4,685,000. This would be a $715,000 reduction from the current level. It is clearly not the case that the Department is trying (or has tried) to increase funding for the Center.

SEX EQUITY

Mr. Proxmire: The budget justifications refer to the National Institute of Education's evaluation of vocational education which focussed primarily on its congressional mandate to assess how these funds were distributed and how State and local agencies complied with applicable Federal laws. The Institute reported that, in general, States were not taking full advantage of the availability of Federal funds to overcome sex bias and that sex stereotyping was still pervasive in vocational education. What steps can be taken to see that States do a better job in this area under the block grant approach?

Answer: We believe that vocational education has achieved some success in encouraging students to enter occupational programs that are non-traditional for their sex. The enrollment totals give a picture of the progress that has been made, while also indicating that the job is not complete.

The female proportion of enrollments in agriculture programs grew from 11 percent to 20 percent between 1975-76 and 1981-82, while the proportion in technical education programs grew from 11 percent to 24 percent over the same period. In trade and industrial education, the largest traditionally male area, female participation changed from 13 percent to 18 percent. On the other hand, in the traditionally female health, office occupations, and occupational home economics areas, the distribution between male and female enrollments changed very little in recent years and remains about three-quarters female.

Further reduction in gender-related barriers to occupational training will be achieved as society changes (that is, as women increase their interest in non-traditional occupations and are encouraged by their parents and peers to pursue training for those occupations) and as the vocational education system actively works to eliminate those barriers. Overcoming sex sterotyping and sex bias would continue to be a major purpose of the Federal vocational education program under the Administration's proposed "Vocational Education Consolidation Act." Sex equity activities, support services for women, and displaced homemaker programs would be carried out under Subpart 2, Strengthening State and Local Systems of Vocational Education. The States would be required to use at least 30 percent of their grant funds (less funds used for State administration) for programs and services under this Subpart.

NIE REVIEW

Senator Proxmire: NIE also criticized the failure of States to design programs to accommodate changing labor market conditions and to streamline planning documents. While the report advised that State planning had improved, it pointed out that the full intent of the law had not been realized. Moreover, State plans are primarily compliance documents and, apparently, have little impact on the local organizations that run the programs. It seems to me, Dr. Worthington, based on NIE's assessment, that you should be seeking ways to strengthen existing law rather than diluting its effectiveness even more by the block grant principle. How will you monitor the way States handle these funds?

Answer: The Administration's consolidation proposal would increase State and local flexibility to design and implement vocational education programs geared to actual State and local needs. We believe that this would be the best approach for developing vocational programs which are responsive to changing economic and labor market conditions.

The consolidation bill would also result in dramatically streamlined planning requirements. All of the existing plans, reports, data collections, and evaluations would be replaced by a simple Proposed Use Report submitted annually by each State. The report would include four descriptions and six assurances related to State use of the Federal funds. Each report would also include

an assessment of the State's progress in meeting its goals (for federally supported vocational education programs) in the most recently completed fiscal year. Federal monitoring of State uses of funds would be conducted through analysis of the Proposed Use Reports.

INDIAN VOCATIONAL EDUCATION PROGRAM

Senator Proxmire: You propose to set aside $6.7 million in vocational education funds for Indian tribes and organizations, approximately the same funding level as fiscal 1984. What impact has this program had on the job placement rates for program participants over the last three years?

Answer: Job placement rates for persons completing the Indian programs have improved. An evaluation of the program in fiscal year 1980 found that 48 percent of the participants had either secured jobs or returned to school for additional training. In fiscal year 1983, some 70 percent of program completers were placed in jobs (generally in areas directly related to their training) immediately after completion of their programs.

Given that the unemployment rates for federally recognized tribes range from 30 to 80 percent (depending on such factors as the time of year and area of the country), we believe the recent placement rates indicate that the program is having a positive impact on the employment opportunities of participants.

Senator Proxmire: The justifications state that the Department would continue its efforts next year to support tribal economic development plans. Can you tell us briefly what these efforts involve and provide more specific data for the record?

Answer: For the past two years, the Department's program specialists in the Indian vocational education program have worked with all grant recipients to assist them in tailoring their programs to overall tribal economic development. For the most recent program year, coordination with the tribal economic development plan was included as a factor in the competition for program grants.

In addition, the Department has awarded a contract to the United Tribes Educational Technical Center of Bismarck, North Dakota to develop strategies for linking vocational education to tribal economic development. The Center will develop a handbook for the tribes and then will undertake training and development activities to facilitate its use.

SPECIAL NEEDS POPULATIONS

Senator Proxmire: Dr. Worthington, under existing law I understand that States are required to expend 10 percent of their vocational education programs for handicapped students and 20 percent for disadvantaged students including persons of limited English-speaking capacity. These set-asides combined with civil rights laws have stimulated States to make a greater effort to serve these students. Does your legislative proposal contain any provision for these groups?

Answer: Absolutely. The Administration's proposed "Vocational Education Consolidation Act" would require that each State use, from its funds not needed for State administration, at least 10 percent for special programs and services for the handicapped and at least 20 percent for special programs and services for the disadvantaged. The difference between these requirements and the requirements of current law is that, while current law applies the set-asides to only two components of the State grant (the Basic Grant and Program Improvement and Supportive Services), the consolidation proposal would apply the set-asides to the entire State grant (less State administration). If we assume that 5 percent of the State grant would be used for State administration, then, given level funding, the minimum expenditures for the handicapped and disadvantaged would be slightly higher than the fiscal year 1984 minimums under current law.

Senator Proxmire: Last year's justifications cited 1980-81 data from the Vocational Educaton Data System that showed programs supported with vocational education funds served 500,000 handicapped persons, 2.5 million disadvantaged persons, and 160,000 persons of limited English proficiency.

Your 1981-82 data, as cited on page 248 of this year's justifications, indicated that although these funds served an additional 3.9 million people, the number of handicapped persons served dropped by ten thousand, 1.2 million fewer disadvantaged persons received training, and there was a reduction of 65,000 in the number of those with limited English proficiency who received support.

Why has your ability to reach these groups declined?

Answer: We don't think it has. The differences in the data reported in the justifications stem mainly from changes in Vocational Education Data System (VEDS) practices between the two years and from some of the on-going problems with the system, but probably very little from actual changes in services to providers.

In earlier years, enrollment data on special-needs students were collected in two different parts of the VEDS survey. The first part asked for enrollment of these students by program area (agriculture, distribution, etc.). The second part asked for enrollment by institutional setting (mainstreamed/no support services, mainstreamed with support services, special program). For whatever reasons, the States tended to report much higher enrollments in the first part than in the second part. For instance, for 1980-81 the States reported 555,961 handicapped in the first part versus 481,097 in the second part, 2,567,537 disadvantaged in the first part versus 1,154,658 in the second part, and 171,151 limited English proficient in the first part versus 76,924 in the second part.

For the 1981-82 program year, the first part of the survey on special-needs students was suspended. Thus, all we have collected are the data on enrollments by institutional setting. For 1981-82, the States reported 489,667 handicapped (a 2 percent increase over the previous year), 1,311,143 disadvantaged (a 14 percent increase), and 94,638 limited English proficient (a 23 percent increase).

Given the year-to-year fluctuations in enrollments reported for the special-needs students, as well as the extreme differences in

the totals provided for the two parts of the survey in previous years, we have a great deal of difficulty estimating the precise number of special-needs students served. Yet we have no reason to believe that the level of services has declined. The special-needs survey is one of the most troublesome components of the VEDS system. We have proposed that it be replaced by a targeted, less-detailed, sample survey conducted on a limited basis. (See our earlier answer to a question from Senator Weicker.)

Finally, we also note that the VEDS data do not indicate a 3.9 million increase in the total number of persons enrolled between 1980-81 and 1981-82. The total enrollment reported for 1981-82 was some 16.8 million, a decrease of about 35,000 (or two-tenths of one percent) from the previous year.

UNOBLIGATED BALANCES

Senator Proxmire: I note that your year-end unobligated balance for vocational and adult education jumped from $84.5 million in fiscal year 1982 to $173 million in fiscal year 1983. Can you tell the Subcommittee why your unobligated balance doubled in just one year?

Answer: In fiscal year 1982, approximately $734 million became available for obligation on July 1, 1982, of which $650.5 million (88 percent) were obligated during the first quarter of availability with the remainder carried over to fiscal year 1983. This rate of first-quarter obligation was higher than the rates of most recent years. This high rate of obligation took place because all but 5 States had their plans approved in time for first-quarter obligation.

In fiscal year 1983, the State plans for 14 States, including some of the larger States, were not approved in time for obligation in the first quarter. Thus the rate of first-quarter obligation slipped to 79 percent, slightly lower than the average rate of recent years. This accounts for the increase in unobligated carryover funds between 1982 and 1983.

ADULT ILLITERACY

Senator Proxmire: Mr. Worthington, last year you told the Committee that you were launching a program to combat illiteracy with some 400,000 volunteers around the Nation. How much is this program costing the Department?

Answer: A grant of $50,000, from the Chapter 2 Secretary's Discretionary Fund, was provided to the Coalition for Literacy to support a national awareness campaign on adult illiteracy and to support CONTACT, Inc., a non-profit organization which responds to inquiries about adult literacy and training opportunities through an 800 number and a computerized data base.

The National Adult Literacy Project, an associated effort sponsored by the National Institute of Education (NIE) and conducted by the Far West Regional Laboratory for Educational Research and Development and the NETWORK, Inc., was awarded a contract for $862,445. This project will identify and disseminate information

on successful adult literacy projects. It will also conduct additional research on issues related to adult literacy. Funds for this activitiy came from the NIE appropriation.

Aside from these direct program costs, this Initiative is being carried out by a small staff (four professionals, one secretary) in the Office of the Secretary.

Senator Proxmire: Can you give us a progress report on your illiteracy project and tell us specifically how many volunteers are working on the project?

Answer: A detailed description of the progress of the National Adult Literacy Initiative is provided above in response to a question from Senator Weicker.

As for the number of volunteers, the objective of the Initiative is to encourage local literacy programs to use volunteers and to encourage citizens to participate as volunteers, rather than to actually recruit and enroll volunteers. Therefore, it is unlikely that we will ever have an accurate count of the number of volunteers involved. However, for the Federal Employee Literacy Training (FELT) program, which is still in the planning stage, we should be able to come up with an accurate count of the number of volunteers participating in time for next year's hearings. We will also be happy to provide a list of national service and church organizations who are undertaking, with Department encouragement, their own adult literacy projects.

Senator Proxmire: Can you give us a general idea of the progress you are making in combatting adult illiteracy? How many illiterates were there ten years ago and five years ago, and what are your latest figures?

Answer: There is no on-going census count of adult illiterates in the United States; such a survey would be very expensive and difficult to conduct.

Our best estimates of the number of illiterates in this country are derived from the Adult Performance Level study, undertaken by the University of Texas (with Office of Education funding) in 1975. The authors devised two measures of functional literacy, based on performance in a variety of areas (reading, arithmetic, consumer skills, etc.). At APL Level 1, a person could function in society only with great difficulty. At APL Level 2, a person could function at a marginal level. The authors then tested their results on a sample of adults and extrapolated the findings to the total U.S. adult population (1970 Census update). They estimated that 23 million persons between ages 18 and 65 were performing below APL Level 1 and 40 million below the APL Level 2.

By further extrapolating this finding to the current adult population (1980 Census), we estimate that some 26 million adults are below Level 1 and 46 million are below Level 2.

The State-administered adult education program, since its inception in 1965, has served over 24 million educationally disadvantaged adults. In recent years it has served 2.2 million to 2.3 million annually. We believe that the nationwide pool of adult

functional illiterates is remaining fairly stable, as the number who attain literacy each year through adult education programs approximates the number of new adult illiterates who enter the pool. We hope to make a greater dent in the pool through the activities of the Adult Literacy Initiative.

EDUCATION FOR THE HANDICAPPED

STATEMENT OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:

DR. EDWARD SONTAG, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENT

Senator WEICKER. The next witness is Madeleine Will, the Assistant Secretary for Special Education and Rehabilitative Services. Madeleine, why don't you go ahead and introduce your colleagues and proceed in any way that you care to.

[The statement follows:]

STATEMENT OF MADELEINE C. WILL

We appreciate this opportunity to present the fiscal year 1985 budget request for Education for the Handicapped. The request of $1,214,445,000 is divided into two major areas; $1,095,205,000 for State Grants to provide financial assistance to States in educating the handicapped children for whom they are responsible under the Education of the Handicapped Act, and $119,240,000 for Special Purpose Funds which support Federal discretionary activities directed at improving the education of handicapped children. The request provides for maintenance of funding at the 1984 levels for the State Grants programs through which the Federal Government helps States and localities provide special education and related services to more than 4 million handicapped children. Special Purpose Funds programs will be maintained at their fiscal year 1984 funding levels with the exception of four programs where reductions of $24,970,000 are requested. In several discretionary programs we are proposing changes in direction in response to the Education of the Handicapped Act Amendments of 1983. These changes reflect new or expanded initiatives which focus primarily on improving educational services to underserved populations including the very young and those making the transition from school to work and independent living.

We believe that our request reflects a continuing commitment to special education as well as a balance between the need for Federal support and overall fiscal restraint.

State Grants

We are requesting $1,068,875,000 for the handicapped State Grant Program in 1985, the same as the 1984 appropriation and $50,975,000 more than the 1983 appropriation. About 4,158,000 children are expected to receive special education and related services next year. Our request would continue to provide about 8 percent of the excess costs associated with educating a handicapped child, the same level as the prior two fiscal years.

In addition, we are requesting $26,330,000 for Preschool Incentive Grants, the same level as appropriated for 1984, and $1,330,000 more than the 1983 appropriation. Incentive grants are aimed at encouraging States to help handicapped children at a very young age when intervention can be especially beneficial in increasing educational achievement in later years. Funds will be distributed among the States based on an estimated 265,000 children aged 3 through 5 expected to be served by the States. Together, these two programs, which provide direct financial assistance to States, total $1,095,205,000 or 90 percent of our total budget request.

Special Purpose Funds

Our request for discretionary programs for the handicapped is $119,240,000, a decrease of $24,970,000 below the comparable 1984 appropriation level of $144,210,000 and $2,783,000 more than the 1983 comparable level of $116,457,000.

Seven of our eleven discretionary programs would be level funded from 1984 to 1985. Included in this group are the Early Childhood Education program and the new Secondary and Transitional Services

program. Four programs, for which a less pressing national need for Federal funding exists, are proposed for reduction: Deaf Blind Centers, Innovation and Development, Special Education Personnel Development, and Special Studies.

I would emphasize that this reduction amounts to only about 2 percent of our total request for Education for the Handicapped.

Deaf Blind Centers

The proposed level of $12,000,000 for Deaf Blind Centers is $3,000,000 less than the 1984 appropriation of $15,000,000. In accordance with the Education of the Handicapped Act Amendments of 1983 the focus of this program is being shifted away from direct services towards the provision of technical assistance to State agencies which are responsible for the delivery of educational services to these children. Our proposed budget would, therefore, significantly increase technical assistance to State agencies to assist them in serving all deaf-blind children. Direct services to deaf-blind children in the age ranges that the States are required to serve would be reduced, and direct services to children not required to be served by the States would be increased. In addition, special technical assistance would be provided with regard to transitional services. The overall funding for the centers will be gradually phased down as the focus of the centers shifts from the direct provision of services to State capacity building, as the States assume a greater role in providing direct services for deaf-blind children, and as the number of children requiring direct services due to the rubella epidemic of 1963-1965 declines.

Innovation and Development

For the Innovation and Development program, we are requesting $12,000,000 in 1985, the same as 1983 and a reduction of $3,000,000 from the 1984 level of $15,000,000. The proposed reduction in funding reflects a shift in the focus of research, development, and demonstration away from the Innovation and Development program and toward specifically targetted activities under Part C of the Education of the Handicapped Act. Between 1983 and 1984, funding in these areas, which include Severely Handicapped Projects, Postsecondary Programs, Secondary and Transitional Services and other budget activities, were increased by $13,598,000 million. In light of the funds available under these budget activities, funding requirements under the Innovation and Development program are not as great.

Special Education Personnel Development

For Special Education Personnel Development we are requesting $37,640,000, $17,900,000 less than the 1984 appropriation level of $55,540,000. The request reflects the policy that the appropriate Federal investment in training supported by this program is preservice training which addresses identified labor shortages of special education teachers and related services personnel. Training of parents and volunteers would also be supported.

Beginning in 1985, in order to focus funds on these areas, no new awards would be made in doctoral and postdoctoral support,

State educational agency programming, special projects, and specialized training of regular educators. Doctoral and postdoctoral students have significant institutional and other Federal resources, such as Guaranteed Student Loans available to them to further their education. States have their own resources, as well as monies available under the Education of the Handicapped State Grants Program, to provide training to their personnel.

Starting in 1982, the emphasis on inservice training in particular has been gradually phased down because it is felt that inservice training is most appropriately provided by State and local agencies. The special training projects which will no longer be funded are simply less essential than training which addresses identified teacher shortages.

Special Studies

We are requesting $2,000,000 for Special Studies, a decrease of $1,070,000 from the comparable 1984 appropriation and $1,565,000 more than the 1983 comparable appropriation of $435,000. At this level, all of the studies mandated by Congress in the Education of the Handicapped Act Amendments would be funded, including a study on costs of special education in State and local school districts, and another on the long-term effects of special education on handicapped children. In addition, we would continue our analysis of State-reported data for the Annual Report to Congress and still have funds available for additional studies.

Other Discretionary Programs

For Severely Handicapped Projects we are requesting $4,000,000 the same as 1984, and $1,120,000 over the 1983 level of $2,880,000. These projects support demonstration and research activities in areas such as independent living and the effect of parental involvement in programming for severely handicapped children.

We are requesting $21,100,000 for Early Childhood Education, the same level as appropriated for 1984 and $4,300,000 more than the $16,800,000 appropriated for 1983. In addition to demonstration projects focusing on children from birth through 8 years of age, 30 percent of the funds appropriated under this program will be used for grants to States to assist them in planning, developing and implementing comprehensive services for preschool children.

We are requesting $6,000,000 for the new Secondary and Transition Services program, the same as 1984, to continue our efforts in improving the ability of our older handicapped children to attain the skills necessary to live in the world of adults. This program was created by the Education of the Handicapped Amendments of 1983. These funds will support long-term projects to determine effective ways to help these individuals, in addition to supporting demonstration programs to improve coordination of services at the State and local level.

For Postsecondary Programs $5,000,000 is being requested, the same as the previous year and $2,168,000 more than the 1983 appropriation of $2,832,000. These funds support programs serving postsecondary-age students who are in a variety of settings such

as vocational technical schools and community colleges, as well as demonstration projects in postsecondary education.

For the Media Services and Captioned Films Programs $14,000,000 is requested, the same as 1984 and $2,000,000 more than the 1983 appropriation of $12,000,000. This program supports captioning of films and television programs for the hearing impaired as well as projects aimed at increasing the development, awareness and use of educational media technology for the broad range of handicapping conditions. As in 1984, special emphasis will continue to be placed on closed captioned television programming.

We are proposing to maintain the fiscal year 1985 funding level for the Regional Resource Centers program at $4,500,000, the same level as 1984 and $370,000 more than the 1983 appropriation of $4,130,000. Consistent with the Amendments of 1983, the objective of these centers will be to provide technical assistance to States for capacity building, educational programming, and special education administration.

Finally, we propose to maintain the Recruitment and Information program at $1,000,000, the same level as 1984 and $280,000 more than the 1983 appropriation of $720,000. Funds will support two national clearinghouse projects begun in fiscal year 1984, dealing with the recruitment of educational personnel and dissemination of information concerning educational opportunities for the handicapped.

Thank you Mr. Chairman and Members. I will be pleased to answer any questions you may have.

Biography of Madeleine C. Will

NAME	:	Madeleine C. Will
POSITION	:	Assistant Secretary for Special Education and Rehabilitative Services
BIRTHPLACE AND DATE	:	Hartford, Connecticut, August 9, 1945
EDUCATION	:	Hartford College for Women, 1965, A.A. Smith College, 1967, B.A. University of Toronto, 1969, M.A.
EXPERIENCE	:	
PRESENT	:	Assistant Secretary for Special Education and Rehabilitative Services
1982	:	Member, Maryland Department of Mental Retardation and Developmental Disabilities Expansion Committee to develop criteria for selecting mentally retarded individuals at risk of immediate institutionalization to be placed in community-based programs.
1982	:	Consultant, Rock Creek Foundation, Silver Spring, Maryland

1981	:	Chairman, Government Affairs Committee, Maryland Association for Retarded Citizens
1981	:	Founding Member, Real Rights
1979	:	Chairman, Government Affairs Committee, Montgomery County Association for Retarded Citizens
1977	:	Trustee, Hartford College, Hartford, Connecticut
1977	:	Committee Member, Metro Area Council for Public Information and Advocacy
1975	:	Board Member, Home Care Services for the Handicapped
1974	:	Co-founder, Kensington Nursery School Sheltered Classroom
1970	:	Editorial Assistant, American Enterprise Institute

BUDGET REQUEST

Ms. WILL. Senator, I think you have already met Sally Christensen, who is the Director of Budget Service, Office of Planning, Budget, and Evaluation. And on my left is Dr. Edward Sontag, who is a Special Assistant in the Office of Special Education and Rehabilitative Services.

Mr. Chairman, we appreciate this opportunity to present our fiscal year 1985 budget request for education for the handicapped. The request of $1,214,445,000 is a reduction of $24,970,000 below the fiscal year 1984 appropriation. We believe, however, that our request reflects a continuing commitment to special education, as well as a balance between the needs for Federal support and overall fiscal restraint. In general, the programs will be maintained at their fiscal year 1984 funding levels with reductions requested in only four discretionary programs. In several programs, we are proposing significant changes in direction, in accordance with the Education of the Handicapped Amendments Act of 1983.

STATE GRANTS

Let me describe first the request for the handicapped State grants programs and then the request for the discretionary programs. We are requesting $1,068,875,000 for the handicapped State grant program in 1985, the same as the fiscal year 1984 appropriation. Almost 4.2 million children are anticipated to be receiving special education and related services next year.

Our request would continue to provide about 8 percent of the excess costs associated with educating a handicapped child, about the same level as the prior 2 fiscal years.

In addition, we are requesting $26,330,000 for preschool incentive grants, the same level as for 1984, in order to encourage States to improve programs for preschool handicapped children. Together, these two programs, which provide direct financial assistance to the States, total $1,095,205,000 or 90 percent of our total budget request.

DISCRETIONARY PROGRAMS

Our request for discretionary programs for the handicapped is $119,240,000. In general, most of our discretionary programs will remain at about the 1984 level, with the exception of four programs which are proposed for reduction. They are deaf-blind centers, innovation and development, special education personnel development, and special studies.

The proposed level of $12 million for the deaf-blind centers is $3 million less than 1984. The Education of the Handicapped Act Amendments of 1983 shifted the focus of this program away from direct services toward the provision of technical assistance to State agencies who are responsible for the delivery of educational services to these children. Accordingly, our proposed budget would significantly increase technical assistance to States while reducing support for direct services. In ad-

dition, special assistance would be provided with regard to transitional services for deaf-blind children who are leaving public school settings.

For the innovation and development program, we are requesting $12 million in fiscal year 1985, for a reduction of $3 million from 1984. We will be able to continue to support important priorities in research in this program, in addition to the new research and demonstration activities which we would support under other programs, such as the secondary and the transitional program.

We are requesting $37,640,000 for the special education personnel development program compared to the 1984 appropriation level of $55,540,000. The priority for training through this program will continue to be preservice training, as well as training of parents and volunteers.

We are requesting $2 million for special studies, a decrease of $1.1 million from 1984, in order to continue all of the studies mandated by Congress in the Education of the Handicapped Act Amendments of 1983. In addition, we will be able to continue our analysis of State-reported data for the annual report to Congress.

For the remaining seven discretionary programs, we are requesting $55,600,000, the same amount as fiscal year 1984. These funds will support a range of activities, including demonstration projects for severely handicapped children, early childhood education projects, programs to improve secondary and transitional services, and postsecondary education projects.

We will also continue to provide technical assistance to State agencies through the regional resource centers, pay for captioning of films and television programs and support information clearinghouses for parents, teachers, administrators, and others concerned with the education of handicapped children.

Thank you, Mr. Chairman. I will be pleased to answer any questions.

CHILD COUNT

Senator WEICKER. I notice that the appropriation for fiscal year 1983 roughly was $1.2 billion. That went to $1.24 billion in 1984, and now you're asking to go $1.21 billion. Now what that indicates to me is a reduction from last year and certainly a reduction in real terms from 1983 dollars.

First of all, since you obviously have those figures at your fingertips, and you're well acquainted with the community to be served, has there been a decline in numbers in the various communities that your agency serves? Fewer deaf? Fewer blind? Fewer retarded? Has there been a decline in these numbers?

Ms. WILL. Senator, as a matter of fact, in a number of the categories where we collect data, there has been a decrease, but this is offset by a significant increase in one or two of the categories, specifically, learning disabled, and as a result, we are projecting a small increase in the number of handicapped children to be served next year. We have incomplete data at the moment for making a projection, but we suspect that there will be a small increase.

Senator WEICKER. John, do we have statistics? Do we have a definitive study as to the numbers to be served in these various categories?

Mr. DOYLE. In terms of special education, Mr. Chairman, the child count that was done in December 1983 has not yet been processed fully by the Department. It appears that the Secretary's comment that there will be a slight increase, primarily attributable to learning disabled, is accurate. But that is preliminary. We don't have the child count reports of States as to just how many kids there are.

Senator WEICKER. How about in terms of deaf, blind, retarded. Do we have a breakdown on that?

Mr. DOYLE. No, sir, we don't. As I say, the statistics are not yet compiled from the December count. That count will show it, but they are not compiled yet.

Ms. WILL. We have a figure for 1982–83. There are 11 categories.

Senator WEICKER. What are the categories?

Ms. WILL. Mentally retarded, hard of hearing, deaf, speech-impaired, emotionally disturbed, orthopedically impaired, other health-impaired, learning disabled, deaf-blind, multiply handicapped, and visually handicapped.

Senator WEICKER. All right. Now you have the statistics for 1982?

Ms. WILL. Yes.

Senator WEICKER. And those are the most recent statistics we have?

Ms. WILL. Right.

Senator WEICKER. And when will we have the 1983 figure?

Ms. WILL. In about 2 or 3 months.

Senator WEICKER. We definitely would want that. I'd like to get a copy of this chart that you have here. It seems to me to be rather significant to whatever it is we are trying to do around here. Is that just 1982 you have before you, or do you have a comparison to 1981 in there?

Ms. WILL. That is just for 1982.

Senator WEICKER. And it's your feeling that these numbers are going to decline in 1983?

Ms. WILL. In some of the categories we project a decline, but overall we are projecting a slight increase in the number of handicapped children served. We are projecting a decrease in the Federal contribution per child from $261 to $257.

TARGETING SERVICES BY HANDICAP

Senator WEICKER. But it does make a difference, because there are certain programs for certain of these categories, so that one lump sum doesn't really do the trick, does it? I am a layman—and I need somebody to pick me up on the subject—but if, indeed, the number of those that are impaired of hearing and sight decline, because of advancements in child vaccination programs—and I don't know if that's the case or not—then clearly, we can't put less emphasis there; whereas if the number of Down's children are increasing, then maybe you have to put more emphasis there, but maybe they're decreasing also, because of am-

niocentesis. What I'm saying is, we should be sensitive to what's going on out there, both in terms of numbers and in terms of category.

Ms. WILL. Yes; Senator, we have a child count which enables us to determine the number of handicapped children. Funds are then allocated to the States on that basis; however, we are only providing 8 percent of the excess cost of providing special education. Moreover, we do, in fact, try to determine where there are great needs, where we can project great needs.

For example, the deaf-blind program is a program which predates Public Law 94–142. It was developed, in part, to serve a large number of children who were born both deaf and blind as a result of the rubella epidemic a number of years ago. There are significant percentages of these youngsters now in adolescence, and their needs have changed. States are willing to provide educational services for them, but we see that as adolescents and as young adults, different services may need to be provided.

We are trying to develop the capability to provide technical assistance to the States, so they can provide service and placement emphasis. I think we are, in fact, doing what you suggest.

FEDERAL CONTRIBUTION

Senator WEICKER. While your justification indicates you propose to serve additional numbers of children under the State grant program, you request funding to be maintained at the 1984 level. The same can be said of your proposal for preschool incentive grants. In order to serve more children while keeping funding at last year's level, the share of funding per child under your proposal would have to be reduced at a time when average excess costs are going up.

Now how would you like to justify that?

Ms. WILL. That's true. However, as I said earlier, we project only a slight decrease in the amounts to be allocated per child under the State grant program. It would be roughly $4.

PERSONNEL DEVELOPMENT

Senator WEICKER. Your sixth annual report to Congress on Public Law 94–142 indicates that State estimates suggest that 280,000 special education teachers will be needed in the 1984–85 school year. That's an increase of over 17,000 above the 230,000 that were estimated as needed for the 1983–84 school year. Approximately 16,000 replacement teachers are needed each year to fill new positions. That's a quote out of the report. Yet, you're requesting a 32-percent reduction in funding for special education personnel development from the $55.5 million appropriated last year to your request for $37.6 million for 1985.

What data do you have that indicates we won't need the people which your latest report indicates we will need?

Ms. WILL. The cuts proposed in the area of personnel preparation reflect a new emphasis on the part of the Department to focus on preservice training and, therefore, we feel that the requests are sufficient

for us to provide the preservice training that is necessary. In terms of the figures that you read from the annual report, I think it is important to note that those figures represent not actual vacancies of teachers but rather the number of teachers the States anticipate they will need to fully serve handicapped children. So those are not slots that are unfilled at the State level.

Ms. CHRISTENSEN. In fact, Mr. Chairman, most of the inservice training is being done by the States with their own money and under the State grant program.

Senator WEICKER. Well, I am not satisfied with this answer. That is a big cut in the teacher training funds area, and I still don't understand how, if the demands are higher, how we can do this. I really don't.

What is preservice training? Either you are a special education teacher or you are not a special education teacher. Is there something short of being a full-fledged special education teacher?

You know, the last time we went through this exercise was with my good friend Jack Schmitt, who was the head of the subcommittee, and we were told by the administration that there is a surplus of teachers out there, so they can just go ahead and take up the slack in the special education field. It is obviously a field that requires specialized training. Now what are you doing? Are you artificially cutting short this training? Are you accounting for part of the funding of it?

I don't understand what is going on here. Are you trying to say to me there is a difference such as between the paramedic and the doctor, and we are going to try to cut down the funding because we are going to settle for the paramedic rather than a doctor?

Ms. WILL. No, Senator. We are simply trying to target certain areas for emphasis. One area is preservice training, which means the education of young people who are interested in becoming special educators, as opposed to inservice training, which would involve some kind of educational component to a person who is already in special education.

We would not be funding such categories of training as leadership personnel. That refers to the preparation of people at the masters level and the doctorate level. We don't feel we have any evidence that suggests a shortage in that area. Related services personnel is another area of training that we would be targeting assistance to.

PERSONNEL DEVELOPMENT

Senator WEICKER. What happened to your garden variety special education teacher?

Let's forget the masters and the doctorates, and let's forget the youngsters. Let's talk about the special education teacher.

How is he affected by this request here?

Ms. WILL. For the special education teacher requiring inservice training we are encouraging States to provide that service. In fact, they do an enormous amount of inservice training.

Senator WEICKER. Some do, some don't.

Ms. WILL. Well, I think the Department feels that we are trying to encourage the States to provide this sort of service. It is more appropriately provided at the State level.

Ms. CHRISTENSEN. We see the Federal role as one of providing assistance in identified shortage areas for personnel working with the handicapped.

Senator WEICKER. We know in this particular instance that the State role has been something less than the optimum. That is why the Federal Government got into it. With some areas you can speculate as to whether the Federal role is ever needed. There is not much question on that point when it comes to this element of this society.

The amount that is shown here, the $37.6 million, was this in the initial budget request, or was the initial budget request from you to OMB the $55.5 million?

Ms. CHRISTENSEN. Our budget request was the same as you see here. OMB and the Department jointly decided on the request level.

Senator WEICKER. $37.6 million?

Ms. CHRISTENSEN. Yes; various levels of funding were discussed in the process of developing the budget request, but this level was determined to be the best level for the final request.

Senator WEICKER. Following the historical pattern here, the appropriation in 1983 is $49 million, and then the President's request in 1984 was $33 million, and the appropriation by the Congress was $55 million, and now we are back to $37 million as the request, and I imagine probably Congress is going to be back up at the top.

You know, I am going to tell you something because this particular area makes the point that I have been making to everybody on the budget. Real budget savings really fall in two categories: Those that appear in the immediate budget we are concerned with, in this case, fiscal year 1985, and the out-years.

It is very possible to create situations in the course of that budget request that involve enormous outlays in the out-years instead of savings, and to me this is a classic example of no savings at all. It is going to involve big money in the out-years unless, indeed, the Federal Government has no more role to play at all. I suppose you could always do that. But, obviously, it isn't realistic.

This is the type of investment, the type of feedstock that, if you throw out, somebody is going to have to pick up later on. I think it is highly unlikely, and I think you ought to know this, that this aspect of your request is going to go through the way it is.

I know, speaking for myself, that I would tend to restore it to last year's level. I think that probably the odds would indicate an increase over the last year's level.

What is the authorization? $61 million?

Mr. DOYLE. Yes, sir.

STATE PLANS

Senator WEICKER. You just completed your review of State plans for 1984 through 1986 under the Education of the Handicapped Act.

What is your general assessment of the progress of States in implementing the act and providing free appropriate public education for all handicapped children?

Ms. WILL. We think that the States have made and are continuing to make great progress in the implementation of the act.

We see significant change from the initial period when the act was being implemented, in the areas of provision of services to children and the identification of children. We are fairly confident that there are few unserved pockets of children.

In addition, we are very comfortable with the strategy and our interpretation of the Federal role, which is a strong monitoring role and a willingness to provide technical assistance to States to help them overcome particular problems in, for example, the areas of least restrictive environments or meeting individualized education program time lines.

Senator WEICKER. What action does the Department take when it finds deficiencies in the State plans?

Ms. WILL. The Department acts very vigorously to follow up to determine whether a perceived inaccuracy or error is, in fact, real as opposed to illusory. We meet with State officials, and we go over their draft plans and work vigorously to see that these problems are ironed out.

MONITORING

Senator WEICKER. How many people do you have in your Department that are available to conduct, and are not only available but do conduct, onsite investigations of various institutions?

Ms. WILL. There are 42 persons in the Division of Assistance to the States which conducts State reviews.

Senator WEICKER. Forty-two people? And these 42 people, their job is to go around at various institutions, like in my State, Mansfield and Southburg, and actually perceive what is going on in these institutions?

Ms. WILL. If those institutions are providing educational services, yes. In fact, they might visit such a facility.

Our responsibility is to monitor the State agencies and their implementation of the act and regulations. We do an extensive development of the State profile; that is, collecting all the documentation that we can to determine how a State is implementing the act.

We do presite visits. We do onsite visits. We meet with advocates and parents.

When a team goes out into a State, we do an extensive debriefing as the team completes its visit and more followup if that is required.

Senator WEICKER. My question, though, really relates to how many people are involved in and actually going from your Department, not asking the State what it is doing, but actually going out from your Department and visiting these various institutions and the clients in those institutions served by your programs?

Ms. WILL. Well, we have the number that I mentioned. We also have people at the regional level from the Office for Civil Rights who are able to visit the programs.

Senator WEICKER. Well, the Justice Department also has staff that can do this and Civil Rights. I am talking about your office. You have 42?

Ms. WILL. Yes.

Senator WEICKER. And these are investigators, so they are trained; these are accountants or lawyers? Who are these people?

Ms. WILL. They are a range of professional and support staff.

Senator WEICKER. This includes secretaries?

Ms. WILL. Yes; we also have a number of attorneys, as a matter of fact.

Senator WEICKER. In this office how many persons do you have that you would consider qualified—completely qualified to do onsite investigations?

Ms. WILL. Of the 42, I would imagine at least 30 of them are professionals. I would like to mention also that if I determined that there were a problem and I wanted someone very close to myself to be involved in the investigation, I have the authority of delegating that responsibility to any particular individual in the Office of Special Education and Rehabilitative Services staff. The entire special education program staff is 128.

Senator WEICKER. Well, what do you mean by the entire special education staff? Investigative staff?

Ms. WILL. The entire program staff of special education which is beyond just the 42 persons in the Division of Assistance to States. One could conceivably send a person from another division if that were required.

But my trained staff, in fact, plans very carefully each visit, determines the size of the team to visit each State, and modifies that if, in the preparation of the State profile, a larger team is deemed necessary.

Senator WEICKER. I am going to hold hearings shortly on the subject of the institutions. John Doyle and his staff have been doing some preliminary investigatory work, but I make no bones about the fact we are not equipped manpowerwise to do it on an ongoing basis, and it seems to me that of all the agencies of the Government you are uniquely—I mean, I assume these institutions are using moneys that we are appropriating here?

Ms. WILL. Yes; I think you were referring to Public Law 89–313 funds. Yes; those programs also fall within our jurisdiction. I have asked my staff, in making plans for this year's monitoring visits, to be certain to visit those facilities.

MONITORING

Senator WEICKER. Your initial response to me of 42 people included secretarial staff, I don't see how they are equipped to do the job out there in the field. You are talking about 50 States, and who knows how many institutions.

Ms. WILL. Again, Senator, I go back to the point I made earlier that we monitor the States.

Senator WEICKER. No, no, no, no. Please, please, please. It is not good enough. I hold you accountable. You are the one who is in charge of the Federal funds. It is not sufficient to me that you go to the State and ask them, "How are you doing, guys?" I don't want to hear that. That falls, speaking as a lawyer, in the category of hearsay.

I should be able to get from you directly what you and your staff have seen with your eyes, your evaluation, not what some State has told you, and especially in this area where, quite frankly, the abuses are really of deep concern to me and to you, I might add.

But I am becoming very worried that we are all not monitoring something here that we should be monitoring very closely.

I want a special emphasis, and I want my staff to get into this, including John Doyle, from the Subcommittee on the Handicapped. I am not sure I don't want to give you a greater capacity to monitor—and this might be one of those areas which, I might add, should also fall right in line with the administration to see the money we spend is properly spent.

I am told your staffing levels are down. Does that include the areas we are discussing?

Ms. WILL. Our overall staffing levels are down because we did not fill slots as they became vacant.

Senator WEICKER. In this area we are discussing?

Ms. WILL. They fall randomly across our programs.

Senator WEICKER. All right. Well, I think we have run the course on this. I think that I have made my point as to where I think the emphasis has to be placed, and I want a more detailed explanation, which is going to take too much time today to give, and then see if anything needs to be done on the basis of that explanation. Not only in the case of the institutions but as we go into this mainstream business, I can see where a lot can slip between the cracks in smaller type facilities which might be totally inadequate to the task. Who finds that out?

The reason I make this point is there is got to be one focal point. It seems to me your Department is the most logical to fulfill that role.

How much the Civil Rights Division of the Justice Department and other agencies which have different responsibilities in addition do, and what their capacity is I am not totally familiar with, but it would seem to me that the logical place for monitoring would be in your Department.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I have further questions which I will submit to you for the record. Now we will move on to the matter of rehabilitation. I gather you will be submitting that also?

Ms. WILL. Yes.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

CHILDREN SERVED

Senator Weicker: While your justification indicates that you propose to serve additional numbers of children, under the State grant program, you request funding to be maintained at the 1984 level. The same can be said of your proposal for Preschool Incentive Grants. In order to serve more children, while keeping funding at last year's level, the share of funding per child, under your proposal, will have to be reduced -- at a time when average excess costs are going up, not down. Is this really the signal we want to send at this time?

Answer: The fact that the budget request maintains these programs at their prior year funding levels is an indication of the Administration's interest in continuing support for the programs. Financing education in the United States, including the education of handicapped children, is primarily a State and local responsibility. The requested level of Federal support is an appropriate level given the degree of Federal involvement in the educational process.

TRAINING

Senator Weicker: Your sixth annual report to Congress on P.L. 94-142 indicates that "State estimates suggest that 280,000 special education teachers will be needed in the 1984-85 school year. This is an increase of over 17,000 above the 263,000 that were estimated as needed for the 1983-84 school year. Approximately 16,000 replacement teachers are needed each year to fill new positions." Yet, you are requesting a 32 percent reduction in funding for special education personnel development programs -- from the $55.5 million appropriated last year -- to your request for $37.6 million for 1985. What data do you have which indicates that we won't need the people which your latest report indicates we will need?

Answer: The data included in the 1984 Annual Report to Congress represents the most current information available. The budget policy is based on targeting training funds on preservice training in areas of identified shortages of special education teachers and related services personnel. Reductions will be taken in training that is not directly related to providing more special education teachers or related services personnel. These other areas include inservice training of teachers, postgraduate training, and special projects. It should be kept in mind that simply making available training does not result in increased numbers of qualified teachers. Teacher salaries and working environments are primary considerations as to whether someone will enter or remain in the field of special education.

STAFFING

Senator Weicker: It appears that in the effort to reduce Department-wide personnel levels by some 218 by 1985, your Office of Special Education and Rehabilitative Services is scheduled to drop by 16, following a reduction by 13 staff people from the previous year. What effect do you anticipate these reductions

will have on the workload you now carry as well as on the general level of expertise of your staff in the field of special education?

Answer: Department-wide, the budget request includes 4,930 workyears of effort in fiscal year 1985. This is a reduction of 210 workyears from the estimated level of 5,140 workyears in fiscal year 1984. It is currently projected that between fiscal years 1984 and 1985 the number of workyears within the Office of Special Education and Rehabilitative Services (OSERS) would drop by 21, from 452 to 431. It is expected that these reductions will have no appreciable effect on OSERS operations in terms of workload or the general level of expertise of staff. It should be emphasized, however, that the distribution of personnel resources within the Department is subject to change based on the relative needs of different offices within the Department. If it is determined that personnel reductions would have an adverse impact on the effective operation of OSERS programs, resources can be shifted to OSERS from other areas.

STATE PLAN REVIEW

Senator Weicker: You have just completed your review of State plans for 1984 through 1986 under the Education of the Handicapped Act. What is your general assessment of the progress of States in implementing the act and providing a free, appropriate public education for all handicapped children?

Answer: All States participating in the Education of the Handicapped Act State Grants Program have included in their plans assurances that they are providing of a free, appropriate public education for handicapped children. They have also, over the years, demonstrated their implementation of the act through increasing both the amount of services and range of service options available for handicapped children.

Senator Weicker: Did you find any recurring problems with implementation?

Answer: The major problem area encountered in the review of State plans was in the implementation of the due process provisions. The most recent report to Congress lists several other areas where less frequent but recurring problems were also encountered. They include the individualized education program, least restrictive environment, right to education, participation of private school children, confidentiality, and general supervision.

Senator Weicker: What action does the Department take when it finds deficiencies in the State plans?

Answer: The Department has a consistent review standard for each State plan based upon both regulation and statute. After a multilevel professional review, a State is notified of any deficiencies which are found. Notification is in written form and contains, in many cases, specific direction as to what changes are necessary in order to gain approval status. The written notification is then used as the basis for a review of the State's plan when it is resubmitted.

Senator Weicker: Were any plans disapproved or delayed? If so, on what grounds?

Answer: All State plans have been approved. However, some States only received one year approval of their plan, pending the receipt of documentation that certain deficiencies have been corrected. The major problem area encountered in the review of State plans was in the implementation of the due process provisions. Less frequent but recurring problems were also encountered in the areas of the individualized education program, least restrictive environment, right to education, participation of private school children, confidentiality, and general supervision.

ASSISTING STATES WITH ADMINISTRATIVE PROBLEMS

Senator Weicker: When the Department abandoned its proposal to change the regulations governing special education State grants, it was reported that, as an alternative, you would provide technical assistance to States as well as financial incentives to help them deal with administrative problems. Are there any specific activities you are now undertaking, and is such assistance reflected in the budget?

Answer: We have undertaken a number of activities to provide technical assistance to States to help them deal with administrative problems. These efforts include:

- Joint task forces between our office and the Regional Resource Centers to address the five most critical issues facing the States:

    1. Enhancing State and local efforts in monitoring, program development, and evaluation.
    2. Improving comprehensive services for adolescents and young adults.
    3. Identifying placement options for severely handicapped children and youth.
    4. Developing appropriate procedures to identify, refer, and evaluate learning disabled students.
    5. Promoting active involvement of parents and professionals in special education service delivery systems.

- A contract to assess the feasibility of implementing the recommendations of the Commission on Financing Free Appropriate Public Education.

- A policy development project to help States develop new policies and procedures to ensure compliance while minimizing the need for Federal oversite.

All of these activities will be conducted at the funding level included in the budget request.

HANDICAPPED / MISCLASSIFICATION

Senator Weicker: In your budget justification you express concern over the increasing numbers of learning disabled children

certified or counted as handicapped under the State Grant Program. What is the most current estimate of the proportion of the child count that is learning disabled children?

Answer: For school year 1982-83, 1,723,753 children were counted as learning disabled out of a total handicapped population numbering 4,052,576 children. The proportion of learning disabled children, based upon these counts, is 42.5 percent.

Senator Weicker: Do you have any evidence suggesting why the numbers of learning disabled are increasing?

Answer: While we do not know with any certainty why the numbers of learning disabled are increasing, we do think that there are a number of contributory factors that may explain the increase. These include:

1) Eligibility criteria which permit children with a wide range of learning problems to be classified as learning disabled.

2) The inconsistent application of selection criteria.

3) The need for localities to develop better alternatives within regular educational programs for children who have learning problems but who are not learning disabled.

It is also important to note that more children continue to be appropriately identified as learning disabled as diagnostic techniques improve.

Senator Weicker: Is your concern that there may not be adequate resources for the more severely handicapped population?

Answer: Our first concern is that all handicapped children including the mildly handicapped and the severely handicapped receive appropriate services in appropriate settings. We are also concerned that some children may be inappropriately classified as learning disabled when they are not handicapped. To the extent that children are inappropriately classified as handicapped, additional financial burdens are placed on our school systems.

Senator Weicker: What steps can the Department take to help prevent misclassification?

Answer: In order to address the concerns regarding misclassification we have initiated several activities through our funded projects as well as through direct technical assistance from our staff. We are currently working with several State education agencies to develop a system within regular education programs which will ensure that students who need special instruction, including slow learners, under-achievers, and others who are particularly vulnerable to misclassification, need not be classified as handicapped in order to receive special instruction. This would entail identification of these students and expansion of the instructional opportunities for them within the regular education setting.

A second initiative we have undertaken is to provide States, through the Regional Resource Centers, current information about how other States have dealt effectively with this problem.

MONITORING

Senator Weicker: How many States during fiscal year 1983 did OSERS conduct on-site surveys of 94-142/89-313 compliance?

Answer: On-site compliance surveys were conducted in 6 States during fiscal year 1983.

Senator Weicker: How many OSERS staff were actually on-site on average, for each site visit?

Answer: For each State visited during fiscal year 1983 an average of three OSERS staff were actually on-site.

Senator Weicker: How many State on-site compliance reviews are planned for fiscal year 1984 for P.L. 89-313 and P.L. 94-142?

Answer: A total of 16 on-site compliance reviews are planned for fiscal year 1984. On each review, staff review implementation of both P.L. 89-313 and P.L. 94-142.

Senator Weicker: What is the expected average on-site duration of each planned fiscal year 1984 visit?

Answer: The average duration of each on-site visit planned for fiscal year 1984 is 4.5 days.

Senator Weicker: How many OSERS staff are expected to be on-site, on average, for each planned fiscal year 1984 visit above?

Answer: An average of three OSERS staff are expected to be on-site for each visit planned for fiscal year 1984.

Questions Submitted by Senator William Proxmire

HERITAGE FOUNDATION

Senator Proxmire: According to the Heritage Foundation, since enactment of the Education of the Handicapped Act nine years ago, there has been a dramatic increase in the number of children labeled as learning disabled on the part of school districts as a means of receiving more Federal funds. The Foundation also reported that another reason for the increase is that many teachers prefer to take the easy way out when dealing with some slow learners by referring them for learning disabled placement. Has there been such a dramatic increase in this category of handicapped students over the years?

Answer: While there has been a large increase in the number of learning disabled children counted, we are unaware of any reliable data which would lead one to the Heritage conclusion about the causes for the increase.

With regard to the possibility that school districts might have a financial incentive for identifying children as learning disabled, we have no indication that financial factors are a significant consideration in determining whether a child is learning disabled or not. Even if financial factors were taken into consideration, the critical point is that the amount of the Federal contribution would only cover a small portion of the special education services which would be required. To the extent that local school districts would have to make up the difference in funding, this would tend to neutralize any incentive effect of Federal funding. It should also be noted that while there are no incentives for identifying children as learning disabled, neither are there fiscal incentives for maintaining these children in general education programs. It is possible that, due to a lack of placement options, some schools deal with the special needs of slow learners and socially, culturally or otherwise disadvantaged children by referring them to special education programs.

With respect to the second point, it is important to note that teachers do not solely make the determination that a child is learning disabled. This determination is made by a multidisciplinary team that follows a prescribed process outlined by the school district which typically includes screening, assessment, identification, and program recommendation. Furthermore, by referring students for a learning disabled placement teachers do not usually avoid having to serve these children. Fully 80 percent of students served as learning disabled are provided special education services while they remain in regular classes for the predominant portion of their education.

Senator Proxmire: What's been the rate of increase since 1975?

Answer: The rate of increase in the learning disabled population has been declining in recent years. This rate of increase, between each of two successive years, is shown below:

School years	Rate of increase
1976-77 to 1977-78	17.8 percent
1977-78 to 1978-79	13.6 percent
1978-79 to 1979-80	11.3 percent
1979-80 to 1980-81	12.9 percent
1980-81 to 1981-82	9.7 percent
1981-82 to 1982-83	6.7 percent

We expect that the rate of increase will continue to decline between 1982-83 and 1983-84.

Senator Proxmire: Is it as easy as the Heritage Foundation alleges it is for teachers to recycle their slow learning students into the handicapped program?

Answer: The ease with which slow learning students can be placed in programs for the handicapped varies from jurisdiction to jurisdiction. The requirement for evaluation and placement by a multidisciplinary team of professionals makes it impossible for a teacher to unilaterally place all "slow learners" in handicapped education. We are continually working with States to improve their identification process to assure appropriate classification.

INNOVATION AND DEVELOPMENT

Senator Proxmire: How much of the $12 million you are requesting for Innovation and Development do you plan to allocate to student research?

Answer: We plan to allocate $300,000 to student research in fiscal year 1985. This represents the same amount as that allocated in fiscal year 1984, but a 20% increase over the amounts allocated in previous years.

Senator Proxmire: What percentage of the applications you receive for student research funding are approved?

Answer: Approximately one-third of student research applications are approved for funding.

Senator Proxmire: How many research institutes do you support with these Innovation and Development funds and how much Federal money will these institutes spend next year?

Answer: There are currently nine research institutes funded in whole or in part with Innovation and Development funds. These include four severely handicapped institutes, three early childhood institutes, and two minority/bilingual institutes. Because these institutes have been fully funded using funds from previous or current fiscal years, no fiscal year 1985 Innovation and Development funds will be allocated to the research institutes. All nine institutes, however, will be active during fiscal year 1985.

DEAF-BLIND CENTERS - EDUCATIONAL TECHNOLOGY

Senator Proxmire: As you know, one purpose of the Deaf-Blind Centers is to support model demonstration projects to develop innovative methods for educating deaf-blind children. Can you touch on some of these new approaches for us now? For example, I'd like to know what role if any, current available technology plays in the teaching process?

Answer: Technology plays a significant role in the teaching process for deaf-blind children in many of the demonstration projects funded under the Deaf-Blind Centers program. First, technology is necessary for communication at the very simplest level. A switch pushed on a calling device alerts others of a young deaf-blind child's desire to communicate at the University of Kansas, Lawrence, Kansas.

Technology is also employed by the "Communication Skills Development Center for Preschool Deaf-Blind Children" at Teaching Research Division, Monmouth, Oregon, using an interface box which allows up to twelve children to be hooked up to a computer to receive reinforcers when appropriate behavior is observed.

Technology is also used in a variety of communication devices for high cognitive level deaf-blind children, i.e., the development of tactile communicators like the Voc-coder at San Francisco State University.

Finally, technology is being employed in the form of videotape disks used for training parents and teachers of deaf-blind children at Utah State University. This has proved to be an excellent means for instructing parents in methods of communiating with their deaf-blind children.

Senator Proxmire: How much are you presently spending for model demonstration projects and how much do you plan to spend next year?

Answer: In fiscal year 1984 approximately $4,500,000 will support about 23 deaf-blind demonstration projects. In fiscal year 1985 we expect to support 30 projects with approximately $4,700,000.

Senator Proxmire: How many Deaf-Blind Centers are currently in operation?

Answer: There are currently six Deaf-Blind Centers in operation.

Senator Proxmire: How many Center contracts do you plan to award this year?

Answer: We will make at least 6 grant or cooperative agreement awards for Deaf-Blind Centers in fiscal year 1984. The regulations governing the operation of the centers are currently being revised based on the Education of the Handicapped Act Amendments of 1983, and it is possible that more awards will be made based on the revised regulations.

REGIONAL RESOURCE CENTERS

Senator Proxmire: The 1985 budget request for Regional Resource Centers is $4.5 million, the same as the current appropriation level and slightly more than the fiscal 1983 funding level. Last year, you reduced the number of centers by 50 percent, from 12 to 6 and doubled the funding for each center. While it's too early to develop any meaningful data on the activities funded by these relatively new awards, why do you believe that reducing the geographic accessibility of these centers will enable you to provide a higher degree of technical support to States?

Answer: The primary reason for the reduction in the number of regional resource centers supported by this office is based on the findings of the third-party evaluation study carried out in 1979. This study indicated that even though regional resource centers cooperate with one another to some extent, a great deal of redundancy across regional resource centers in the activities they implemented and the products they developed still existed. The reduction in the number of centers is an attempt to eliminate some of this redundancy.

The history of this program has demonstrated that the location of a regional resource center is not an impediment to the effective operation of the center. The services provided by the regional resource centers are accomplished through training, consultation and other technical assistance activities. In many instances, the location for the provision of the services is the client's home base.

Senator Proxmire: Where are these centers located?

Answer: The regional resource centers are located as follows:

1. Northeast Regional Resource Center
   Trinity College
   Burlington, Vermont

2. Mid South Regional Resource Center
   University of Kentucky
   Lexington, Kentucky

3. South Atlantic Regional Resource Center
   Florida Atlantic University
   Plantation, Florida

4. Great Lakes Area Regional Resource Center
   Ohio State University
   Columbus, Ohio

5. Mountain Plains Regional Resource Center
   Utah State University
   Logan, Utah

6. Western Regional Resource Center
   University of Oregon
   Eugene, Oregon

SECONDARY AND TRANSITIONAL SERVICES

Senator Proxmire: You are requesting $6 million for "secondary and transitional services" a program which was authorized last year in the 1983 amendments. The request is slightly below the authorization ceiling of $6,330,000. How many grants and contracts do you plan to award next year?

Answer: Regulations for this program are still being developed. The number and type of awards to be made under the program has not yet been determined.

DEAF-BLIND CENTERS

Senator Proxmire: The Department's Annual Evaluation Report for fiscal 1982 suggests that the major drawback in reaching the goals of the Deaf-Blind Center program is the acute shortage of trained teachers and teacher aids. Current training programs are annually producing only 40 to 50 teachers with special qualifications for teaching these children. Can you tell us whether the teacher shortage has improved or worsened since the evaluation was performed?

Answer: We do not have more recent data on either the need for teachers and aides or annual production of trained personnel. We have seen an increase in 1983 and expect a further increase in 1984 in training of personnel to work with the severely handicapped in general and deaf-blind in particular.

Senator Proxmire: What plans do you have to meet the teacher shortage and how long will it take to solve the shortage problem?

Answer: There are a number of training programs specifically concentrating on deaf-blind (6 new applications under the Special Education Personnel Development programs in 1984). The increasing interest in the severely and profoundly handicapped may also be expected to improve the situation to some extent. In addition, the Deaf-Blind Centers will continue to provide training to teachers of deaf-blind children as well as to parents and paraprofessionals. The Education of the Handicapped Act Amendments of 1983 reinforced the role of these Centers providing technical assistance to States in this area. There is no way of determining how long a shortage of trained personnel may exist.

PERSONNEL DEVELOPMENT

Senator Proxmire: Your 1985 budget for handicapped education proposes to cut $17.9 million from personnel development. Under your proposed budget, how many individuals will receive training next year as compared with the current fiscal year?

Answer: Under the proposed budget, approximately 22,000 special education teachers and related services personnel will be trained, next year, about the same number who are receiving training in the current year. The priority for training will be preservice training in areas of identified shortage, as opposed to inservice training. Although the proposed budget will eliminate Federal support for inservice training activities, we believe that State and local school districts will continue to provide inservice training support for classroom teachers. No estimate is available of the number of individuals receiving inservice training from fiscal year 1984 funds. Due to the nature of the training and types of awards, data is not available on the number of personnel trained in areas which are proposed to be eliminated.

Senator Proxmire: The 1983 Handicapped Education Amendments require that 10 percent of the funds appropriated under this provision be awarded to private nonprofit organizations. Are these funds awarded on the basis of competition?

Answer: The law requires that 10 percent of the funds available be awarded to nonprofit parent organizations. Most of these funds will be awarded on the basis of competition. For fiscal year 1984, we expect to receive at least 60 applications to provide training and information to parents. Panels comprised of experts in the training of parents and other volunteers will be convened to review and evaluate all submissions under this competition. Some funds will also be awarded through continuation awards to qualified organizations.

Senator Proxmire: The budget documents mention that personnel development contracts are also authorized to prepare personnel in areas where shortages exist when response to that need has not been adequately addressed by the grant process. Were any contracts issued last year and if so, in what shortage areas?

Answer: No contracts have yet been awarded under this new authority. This authority has been available only since the passage of the Education of the Handicapped Act Amendments of 1983 on December 2, 1983.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH

STATEMENT OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:

GEORGE A. CONN, COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION, OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

DR. DOUGLAS A. FENDERSON, DIRECTOR, NATIONAL INSTITUTE OF HANDICAPPED RESEARCH, OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

BUDGET REQUEST

Ms. WILL. Mr. Chairman, let me introduce Dr. Douglas Fenderson, who is the Director of the National Institute of Handicapped Research, and Mr. George Conn, who is the Commissioner of the Rehabilitation Services Administration.

It is a pleasure again to present the fiscal year 1985 budget request for rehabilitation services and handicapped research.

This account includes activities of the Rehabilitation Services Administration and the National Institute of Handicapped Research. Our total request for the account is $1,091,660,000.

Our first priority is to maintain the current level of support to States for the rehabilitation services they provide to nearly 1 million disabled Americans. We are proposing a reordering of priorities with some reductions among our less essential discretionary activities.

We believe the request strikes an appropriate balance between continuing Federal support of rehabilitation services and addressing the need for overall spending restraint.

We are requesting $1,061,100,000 for rehabilitation services, which enable disabled persons to maximize their potential for employment and independent living. Included here are the major State programs of rehabilitation services which are supported by the basic State grants, and the majority of our discretionary activities, specifically, the various service projects, independent living centers, and training for rehabilitation personnel.

A special initiative in 1985 would demonstrate that many severely handicapped persons traditionally placed in nonvocational day activity programs can undertake and maintain employment when provided with appropriate ongoing support.

We are requesting $31,200,000 for service projects. We are requesting no funds for client assistance because we believe the States can provide these services from other sources, and we are requesting no funds for recreation because we continue to believe that funding for recreation projects is more appropriately provided from foundation and other private sector sources.

The projects with industry program has grown rapidly over the last 2 years, and we are requesting a modest reduction, which will allow only a continuation of current activities in 1985.

We are proposing to maintain the 1984 level for programs serving special groups, such as migratory worker projects, service grants to Indian tribes, and the Helen Keller National Center for Deaf-Blind Youths and Adults.

We are requesting an increase for special demonstration projects for the severely disabled.

Our request for centers for independent living is $21 million, which is $1.6 million more than the fiscal year 1984 appropriation.

In light of the recent reauthorization of the Rehabilitation Act, we have decided not to request reprograming in 1984. An increase in 1985 would allow us to support additional new services, beginning in 1985, under priorities designed to expand the capacity of existing centers to serve disability groups they are not presently serving.

The request for training is $5 million, or $17 million less than the amount appropriated in fiscal year 1984. The requested funds would be used solely to support programs of long-term training in fields essential to the rehabilitation process where labor shortages have been identified.

In the past, long-term training funds have been used to cover 18 different categories rather than to focus on identified shortages.

The request for the National Institute of Handicapped Research is $30,060,000. The 1985 request would allow the Institute to continue a major research program addressing significant problems of disabled individuals, including the following activities: research and training centers, rehabilitation engineering centers, research and demonstration projects, field-initiated research, international support, and research fellowships.

Our request for evaluation is $500,000. The funding requested for 1985 would allow us to continue several multiyear studies initiated with 1984 funds and to fund a few new studies in 1985.

I will be pleased to answer questions.

BASIC STATE GRANT PROGRAM

Senator WEICKER. Your justification shows that for the State grant program you expect to serve an additional 15,000 people in 1984 over the number served in 1983, and you are proposing no additional funds for the State grant program for 1985.

In addition, the budget proposed that the State grant program pick up other activities which have been separately funded. So you are really trying to do more with less.

How do you intend to serve a larger population and to conduct more activities with the same amount of money?

Ms. WILL. We are projecting a small increase in the number of persons to be served by vocational rehabilitation agencies. The Rehabilitation Services Administration feels that there are a variety of management tools which are being implemented and which might enable the States to serve larger numbers of individuals, such as computerization and a variety of other more effective management techniques.

I would just emphasize that we do not have solid projections about the numbers of individuals to be served. We hope that there will be more individuals served.

Two years ago, there was a significant increase of 6.9 percent in the number of people coming into the rehabilitation system, we think perhaps because of the improved economy. That increase of persons into the system should lead to more individuals being rehabilitated.

CLIENT ASSISTANCE

Senator WEICKER. Well, if you get too many more, you are going to be in a bad position to serve them because you don't have the money there.

And in this case, you can say the numbers are small, but also the moneys you require usually run large in relation to the individual.

The rehabilitation amendments signed by the President since the time your budget was prepared specify that client assistance, now funded at $6 million, has to be funded as a separate program, not out of the State grant program as you propose.

Do you propose to modify your budget request to take this into account?

Ms. WILL. We expect to fund the client assistance program in 1984 at a level of $6 million. In 1985 we are requesting no funding because we feel that it is possible for the States to fund these projects out of other sources—Federal, State, and local.

In fact, I think there are only 15 States that have not had client assistance programs.

Senator WEICKER. But you have got a law on your hands now that mandates this program. It is no longer discretionary.

Ms. WILL. We fully support the notion of the client assistance program and the services that are provided.

Senator WEICKER. Yes; but client assistance, as I understand it now, is a Federal law. It is not discretionary, it is Federal.

Ms. WILL. It is being converted from a discretionary grant program to a formula grant program.

Senator WEICKER. So I make the assumption all the States will say, now, we don't have to fund it.

I have a feeling, knowing the administration, that it really doesn't like the client assistance program. I think that is what bothers me. I have a strange feeling they don't like the client assistance program, and that feeling is reinforced by a zero funding request.

We have been through this routine before with legal services. Oh, we love legal services, you know. We will send up our nominee, we are all for legal services. But every time the budget request used to come to my State-Justice-Commerce Subcommittee, guess what the administration requested for legal services? Zero.

Ms. WILL. Well, Senator, I myself have used some of those services, and I know of the good work that is done. I again reiterate that the administration, in fact, endorses the client assistance programs and the services that are provided. The new amendments require that the States have client assistance programs in effect by October 1, 1984. We intend to work very closely with Governors to make sure that they have the programs in place.

Ms. CHRISTENSEN. In fact, Mr. Chairman, our existing appropriation language for 1984 has no restriction on our carrying out the new client assistance program the way it was just enacted. The new law says that client assistance programs must be in place before basic grants are approved. For that reason, we certainly do not expect that any State would drop its client assistance program.

The $6 million that we are spending in 1984 will give those States that are not doing as much as others have been doing some resources to start up their client assistance programs. We would certainly expect that the States would continue those programs.

The administration is not opposed to the client assistance activity at all.

Ms. WILL. The Department submitted legislation last year which would have mandated a client assistance program in every State.

Ms. CHRISTENSEN. That is right, and that requirement is included in the new amendments. In fact, the new law went even a little further and said that States must have client assistance programs in place before they can receive their basic grants.

REPROGRAMING

Senator WEICKER. The budget indicates your intent to reprogram $1.6 million from service projects to independent living. We have received no notice of a reprograming. Is this still planned?

Ms. WILL. No.

Ms. CHRISTENSEN. No; not in view of the new legislation. We plan to use the full $6 million authorized for the client assistance program in 1984. The rehabilitation amendments were enacted after the submission of our budget request.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Senator WEICKER. You are proposing a reduction in funding of some $6 million from $36 million appropriated last year for the National Institute of Handicapped Research.

What kinds of projects or types of activities do you propose to discontinue, and what amount of funding was available for each?

Mr. FENDERSON. We have about $6 million of center projects and smaller grants and contracts which will terminate. By not funding those projects, we will be able to realize the savings of $6 million without cutting back on our existing commitments for continuations in 1985.

We will also be able to support a small number of additional investigator-initiated research projects, which is a new program in NIHR, and a small number of rehabilitation research fellowships.

Ms. WILL. If you will permit me, I can be more specific about the research and training centers, which will terminate their 5-year projects in 1985.

Two are involved in doing research in the rehabilitation of the aging, and one in the rehabilitation of the chronically psychiatrically disabled. Another is doing research on independent living. It is actually evaluating independent living programs and services. Another is a rehabilitation engineering center concentrating on the development of sensory aids for blind and deaf individuals.

We feel that the Center on Spinal Cord Research can address the problems of control of incontinence, which were among the problems targeted by the centers focusing on aging. A new priority is being announced for a center to focus on the problems of the chronically mentally ill.

The center evaluating the independent living centers will discontinue, but we are in the process of funding a very significant evaluation of independent living centers as required by the new amendments.

The center focusing on sensory aids will also be discontinued. We have no new priority to announce for this field, but there are specific, discrete projects that we can use for the development of sensory aids.

TRAINING

Senator WEICKER. As you know, the Rehabilitation Amendments of 1984 require the administration to submit an annual report to Congress which identifies personnel shortages in various rehabilitation fields.

At the very time that this congressionally mandated personnel assessment is to take place, you are requesting a 77-percent reduction in training funds—from $22 million appropriated in 1984 to $5 million for 1985.

How do you know before the report is issued what the numbers are going to be out there, and more particularly, how do you justify this proposed reduction in training funds?

Ms. WILL. We are, in fact, beginning a manpower study to determine areas of shortage.

We want to concentrate on documented shortages and also on training of rehabilitation professionals who will end up providing direct services to clients.

It is true that we don't have evidence of shortages. We are not sure where the shortages are, and we won't know that until the manpower study is complete. We feel that our request should be conservative in the absence of this information.

Senator WEICKER. So the $5 million figure is what, a guess?

Ms. WILL. It is a projection that, with $5 million, we will be able to meet the needs in the targeted areas.

Senator WEICKER. How do you know, for instance, to go—how did you know to go from $22 to $5 million rather than from $22 to $39 million?

Ms. WILL. We are encouraging the States to provide some of the services that have been provided, heretofore, under the training program.

Senator WEICKER. What if the State doesn't do it? It doesn't get done?

You know, we are talking about a little amount of money here. The healthiest elements of our society get billions and billions. We are talking about a little million here in an area that affects people that have far less capacity to take care of themselves. It is really sad. I can't believe this Government has to act in that niggling way, I really don't, to achieve something on a piece of paper.

Ms. CHRISTENSEN. Mr. Chairman, basically, the philosophy here is the same as we mentioned in the special education area.

The administration sees the Federal role as one of providing preservice training to meet identified needs; whereas, the States, with their own money and with our State grant money, are already and can and will continue to provide inservice training to upgrade the skills of existing personnel. We see that as a State and local responsibility.

PREPARED STATEMENT AND QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Well, all right. Those are all the questions I have at this time. There are other questions I will submit for response to the record.

Madeleine, thank you very much.

[The information follows:]

STATEMENT OF MADELEINE C. WILL

It is a pleasure to be here today to present the fiscal year 1985 budget request for Rehabilitation Services and Handicapped Research. This account includes activities of the Rehabilitation Services Administration and the National Institute of Handicapped Research.

Our total request for the account is $1,091,660,000. Our first priority is to maintain the current level of support to the States for the rehabilitation services that they provide to nearly one million disabled Americans. We are proposing a reordering of priorities with some reductions among our less essential discretionary activities. We believe the request strikes an appropriate balance between continuing Federal support of rehabilitation services and addressing the need for overall spending restraint.

Rehabilitation Services

We are requesting $1,061,100,000 for rehabilitation services which enable disabled persons to maximize their potential for employment and independent living. Included here are the major State programs of rehabilitation services, which are supported by the basic State grants, and the majority of our discretionary activities, specifically, the various service projects, independent living centers, and training for rehabilitation personnel. A special initiative in 1985 would demonstrate that many severely handicapped persons traditionally placed in non-vocational day activity programs can undertake and maintain employment when provided appropriate ongoing support.

Basic State Grants

Our request for basic State grants is $1,003,900,000, the same amount that is available for fiscal year 1984. This level would enable the States to maintain their ongoing programs of rehabilitation services to disabled persons and to continue giving priority to serving severely handicapped persons. States would be encouraged to expand cooperative agreements with businesses to improve the employment outcomes achieved for disabled persons, and with schools to improve the transition from school to work for handicapped young people leaving special education programs. Although we expect approximately the same numbers of persons to be served and rehabilitated in 1985 as in 1984, we do not, at this point, feel comfortable in making precise projections. We will be studying caseload trends in 1984 and 1985 as part of our evaluation of the impact and effectiveness of the basic State grant program.

In order to receive fiscal year 1985 basic State grant funds, States will have to be providing assistance to advise all clients and client applicants of all available benefits under the Act and, upon request, to help them pursue their rights under the Act. The Department supports the requirement that all States provide this assistance, but we believe that States can provide the required services using State or Federal basic State grant funds.

Service Projects

We are requesting $31,200,000 for service projects. This is $6,400,000 less than the fiscal year 1984 appropriation. Our request reflects a reordering of priorities among the programs.

We are requesting no funds for client assistance because the States can provide these services from other sources, and we are requesting no funds for recreation because we continue to believe that funding for recreation projects is more appropriately provided from foundation and other private sector sources. The projects with industry program has grown rapidly over the last two years, and we are requesting a modest reduction which will allow only continuation of current activities in 1985. We are proposing to maintain the 1984 level for programs serving special groups: migratory worker projects, service grants to Indian tribes, and the Helen Keller National Center for Deaf-Blind Youths and Adults.

We are requesting an increase for special demonstration projects for the severely disabled. This increase is requested to supplement the amount we otherwise could make available for a specific type of demonstration. A special initiative in 1985 would help selected States demonstrate how the availability of ongoing support can enable many severely handicapped persons, generally believed incapable of work, to undertake and maintain gainful employment. Our efforts would be designed to assist States develop the capacity to offer severely handicapped persons these supported work opportunities. We believe this activity has the potential to generate long-term improvements in services to severely handicapped persons.

Independent Living

Our request for centers for independent living is $21,000,000, which is $1,600,000 more than the fiscal year 1984 appropriation. We are requesting the increase in order to expand the availability of community-based independent living services to additional numbers and groups of severely disabled persons. Additional services would be established under priorities designed to expand the capacity of existing centers to serve disability groups they are not presently serving.

Training

The request for training is $5,000,000, or $17,000,000 less than the amount appropriated in fiscal year 1984. The requested funds would be used solely to support programs of long-term training in fields essential to the rehabilitation process where labor shortages have been identified. In the past, long-term training funds have been used to cover 18 different categories rather than to focus on identified shortages. We believe that assistance to alleviate professional labor shortages is our appropriate role in the training of rehabilitation professionals. We would discontinue staff inservice training programs, training in non-shortage fields, and training in management and other fields not directly related to the actual provision of rehabilitation services. The request for 1985 would allow us to address major shortages of personnel required to meet the rehabilitation service needs of handicapped persons.

National Institute of Handicapped Research

The request for the National Institute of Handicapped Research is $30,060,000, a decrease of $5,940,000 from the 1984 appropriation. The 1985 request would allow the Institute to continue a major research program addressing significant problems of disabled individuals, including the following activities: research and training centers, rehabilitation engineering centers, research and demonstration projects, field-initiated research, international support, and research fellowships. The total number of projects funded would decline somewhat primarily through the completion of small grants and contracts which are in their final year of support in 1984.

Evaluation

Our request for evaluation is $500,000, which is $1,500,000 less than the fiscal year 1984 appropriation. We are undertaking a significant evaluation program with fiscal year 1984 funds, with the majority of these evaluation activities to be conducted in fiscal year 1985. The funding requested for 1985 would allow us to continue several multi-year studies initiated with 1984 funds and to fund a few new studies in 1985. We need the opportunity to assess future information needs and then prepare quality study designs before we can use additional evaluation funds effectively.

Mr. Chairman, I will be pleased to answer any questions you and your colleagues may have.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CLIENT ASSISTANCE

Question: The Rehabilitation Amendments, signed by the President since the time your budget was prepared, specify that client assistance (now funded at $6 million) has to be funded as a separate program, not out of the State Grant program as you propose. How are you moving to implement the program which must be in place in all states by October 1?

Answer: We are developing regulations for the client assistance program and expect to publish a notice of proposed rulemaking within the next four weeks. Following the comment period and publication of final regulations in July, we will award the 1984 client assistance funds. In the meantime, we plan to work closely with the governors to ensure that programs can be in place in all States by October, and all States can receive their 1985 basic State grant funds. Programs are already in operation in over half of the States; twenty-three are conducting programs with 1983 client assistance project funds, and several others are using basic State grant or State funds.

REPROGRAMMING

Question: The budget indicates your intent to reprogram $1.6 million from service projects to Independent Living. We have received no notice of reprogramming. Why don't we transfer money to Independent Living that we know the Office for Civil Rights can't use because they are not able to fill all their staff positions?

Answer: We have decided not to request reprogramming in 1984.

PROJECTS WITH INDUSTRY

Question: The Rehabilitation Amendments of 1984 mandate a comprehensive evaluation of all existing Projects with Industry and require the submission of a report to Congress by February 1, 1986. You are now proposing to reduce fu ng for Projects with Industry by $1.8 million from the $13 million this program received last year. Why do you propose to reduce the number of projects?

Answer: Our request was submitted prior to enactment of the Rehabilitation Amendments of 1984. The projects with industry program has grown significantly over the last two years, from $8 million in 1982 to $13 million in 1983 and 1984, and no major evaluations of the program have been conducted. Until data on the effectiveness of the program are available, we do not believe that the program should be expanded further. Consequently, our request was based on meeting all continuation costs in 1985 and did not include funding for projects scheduled to end in 1984. The subsequently enacted amendments require us to continue all existing projects through 1986, however, including those that would have terminated following their 1984 awards. Although a slight pro rata reduction might be necessary, we would be able to continue all of these projects in 1985 with the funding requested. Savings will be realized because equipment and other first-year start-up expenses will not be necessary. We expect that most private sector sponsors would increase their support to offset any loss in Federal funds.

Question: Don't you believe that a responsible evaluation of the overall program would be extremely difficult under these circumstances?

Answer: Our requested funding level would not adversely affect the evaluation of the projects with industry program, because we will be continuing all projects as mandated, and any reduction in funding would be slight. In fact, the required evaluation of the program is to include analysis of projects' funding sources and capacity building activities. (Although all existing projects will be continued, we do not believe that a responsible evaluation requires that projects not terminate upon completion of their approved project periods.)

PROGRAM INITIATIVE FOR EMPLOYMENT OPPORTUNITIES

Question: Mrs. Will, you are to be commended for the development of the "Supported Employment for Adults with Severe Disabilities" proposal. I understand you managed to get through OMB what might perhaps be the only meritorious initiative in the Department this year. Could you briefly explain this new program and advise us as to how you propose to fund it?

Answer: Each year we establish priorities for our program of special demonstrations for the severely disabled. In 1985, we propose to establish a funding priority for supported employment projects. Five million dollars of the funds available for demonstration projects would be reserved for applications responding to this priority. Grants would be made on a competitive basis to assist States convert traditional day activity programs to alternative sup-

ported employment programs. Day activity programs are the primary community service approach for individuals with disabilities so severe they are ineligible for vocational rehabilitation. The programs typically congregate severely disabled persons in a segregated building where a regimen of instruction in daily living skills, social activities, leisure and recreation programs, and pre-vocational activities is followed. Supported employment incorporates existing day activity services in a location that also provides participants with work opportunities. It is not designed to lead to unassisted competitive work, but it is designed to produce the same benefits for participants that other people receive from work. Support, which is provided to help individuals obtain and perform wage-generating work, could involve assistance to a service agency that provided training and supervision at an individual's worksite; support to an employer to offset the excess costs of equipping, training, and supervising a severely disabled person; and salary supplements to a coworker who provided regular assistance in personal care activities while at work. Grants would be awarded to States to help them build capacity for and implement supported employment methods in day activity programs. Grant funds could be used for a State coordinator, staff training, initial conversion assistance, public information efforts, and evaluation.

SPECIAL RECREATION PROJECTS

Question: Your 1985 budget requests the elimination of funding for Special Recreation Projects for handicapped persons. What evidence do you have that local or private sector sources would be available to maintain these programs as you assume in your justification?

Answer: Most parks and recreation programs are funded by either county or city governments. These existing programs, which serve the general public, are currently funded and staffed. With minimum changes, counties and cities could use these programs to direct resources to serving greater numbers of handicapped persons. It is impossible for the Federal Government to support projects in even a significant number of local communities. Foundations, civic organizations, business corporations, individuals, and volunteers support various programs providing recreation opportunities to handicapped persons throughout the country.

TRAINING

Question: As you know, the Rehabilitation Amendments of 1984 require the Administration to submit an annual report to Congress which identifies personnel shortages in various rehabilitation fields. At the very time this congressionally-mandated personnel assessment is to take place, you are requesting a 77 percent reduction in training funds--from $22 million appropriated in 1984 to $5 million for 1986. How many professionals would be trained and what types of training would be conducted under your proposal?

Answer: We are proposing to fund only training to prepare new personnel for employment in rehabilitation service fields where shortages have been identified. We plan to discontinue inservice training for employed personnel, which we believe is the employer's responsibility; training designed to prepare new personnel for fields where shortages have not been identified; and training in

management and other fields where personnel would not be providing direct services to handicapped people. This targeting of training funds is consistent with the Rehabilitation Amendments of 1984. We have no precise estimates of how many persons would be trained. We are in the process of contracting for a study that will help us identify shortages and the type of Federal support most likely to effect increased supply.

EVALUATIONS

Question: As you know, the Rehabilitation Amendments of 1984 mandate comprehensive evaluations of the client assistance programs, Projects with Industry, and Independent Living Centers by February 1, 1986. You are requesting $500,000, which is $1.5 million less than the 1984 appropriation. Do you have estimates worked out of what each of the several required studies will cost?

Answer: Contracts will be awarded from the 1984 appropriation for all of the evaluations mandated by the Rehabilitation Amendments of 1984. A cost estimate has been developed for each evaluation. However, the estimates are not released publicly in order not to influence bids, and so that competitive bidding by potential contractors will yield a realistic proposal, at least cost to the Government. Funds requested for 1985 would not be needed for these evaluations.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Question: You are proposing a reduction in funding of some $6 million from the $36 million appropriated last year for the National Institute of Handicapped Research.

What kinds of projects or types of activities do you propose to discontinue and what amount of funding was available for each?

Answer: The $6 million will be absorbed through grants and contracts which will be in their final year of support in fiscal year 1984. For this reason, no existing grants or contracts will be reduced because of the decrease in appropriated funds. Grants, contracts, and agreements which terminate in 1984 are as follows:

Activity	Amount
Centers	$1,900,000
Agreements and Contracts	1,300,000
Field Initiated Research	1,300,000
Discrete Projects	1,500,000
Total	6,000,000

Question: What new types of projects, if any, do you propose to initiate for fiscal year 1985?

Answer: With the funds available in fiscal year 1985, NIHR will be able to fund up to twenty field initiated projects addressing significant problems of disabled individuals in such potential areas as economics of disability, employment, prosthetics/orthotics, sensory aids, and many others.

In addition, the Institute will award at least five new fellowships to individual researchers interested in resolving specific rehabilitation problems.

Question: What efforts are being made to disseminate research results broadly to the rehabilitation field? How much funding is being used for these efforts?

Answer: The National Institute of Handicapped Research has made a concerted effort to provide effective dissemination of rehabilitation research. This is approached in a three-tiered fashion.

1. All applicants for research and demonstration projects or rehabilitation engineering centers are rated against published utilization criteria including how such findings will be disseminated; ways in which the results can be applied; at what cost; and possible factors that may be needed to promote adoption of findings. Applicants for research and training centers must have a training and information dissemination component within their proposal. By these means, the Institute encourages applicants to think of the potential for use of research findings from the beginning of the project.

In the actual conduct of research, grantees are encouraged to present interim findings to interested parties. Many grantees hold or participate in conferences and seminars to report on the status of their research. Researchers also are encouraged to publish in journals and popular publications.

2. The Institute furnishes guidelines to grantees for preparing final reports in ways that can be useful for dissemination. Upon receipt of final reports, NIHR abstracts the report and provides further information to the grantee suggesting other dissemination avenues and potential report recipients. Reports are submitted to the National Rehabilitation Information Center for further dissemination either directly or through bibliographic data base vendors.

3. NIHR funds fourteen information utilization and dissemination projects including two Rehabilitation Information Diffusion Networks projects, two Independent Living Network projects, and the National Rehabilitation Information Center (NARIC). In addition to its computerizd database and reference functions, NARIC also prepares selected bibliographies and in-depth research reviews. By contract, NIHR produces Rehab Briefs which is a four-page digest of rehabilitation research information distributed to 30,000 recipients.

In addition, NIHR sponsors a number of international exchange of rehabilitation information and experts projects, which add to the information available to the United States and disseminates American research knowledge abroad.

NIHR undertakes public affairs and information activities such as seminars, state-of-the-art and other conferences, preparation of fact sheets, media consultation, response to public inquiries, and speaking engagements.

The National Institute of Handicapped Research invests about $3.1 million or approximately nine percent of appropriated funds in information dissemination activities.

WEST VIRGINIA RESEARCH AND TRAINING CENTER

Question: As you will recall, of the amount appropriated for the National Institute for Handicapped Research last year, Congress mandated that $500,000 be provided for the acquisition of computer and information processing equipment for the one-time supplement to the existing base grant for the West Virginia Research and Training Center.

What is the status of these funds appropriated for the improvement of vocational rehabilitation management?

Answer: A detailed proposal of needs and technical specifications is being developed by the West Virginia Research and Training Center. Upon receipt of this supplemental application, NIHR will forward it for processing.

QUESTION SUBMITTED BY SENATOR WILLIAM PROXMIRE

INDEPENDENT LIVING CENTERS

Senator Proxmire: Last year you advised that the Department had no adequate data evaluating the effectiveness of independent living centers in preparing severely disabled individuals for vocational rehabilitation services. I understand two states, California and my home state of Wisconsin, have conducted studies of their own programs and have concluded that the centers should continue primarily because they are an integral part of the total continuum of care. Why is there no system in place to evaluate the effectiveness of this program on a national basis?

Answer: The Department will be conducting an evaluation of the independent living program with funds appropriated in 1984 for evaluations of programs authorized by the Rehabilitation Act. This evaluation will conform to the evaluation mandates of the Rehabilitation Amendments of 1984. Evaluation criteria will be established prior to the evaluation. These criteria will allow a consistent national evaluation.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will now stand in recess until tomorrow morning at 9:15, and we will convene in this room to hear testimony of the administration's budget proposals for compensatory education for the disadvantaged, special programs and populations, and impact aid.

[Whereupon, at 10:30 a.m., Thursday, March 15, the subcommittee was recessed, to reconvene at 9:15 a.m., Friday, March 16.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

FRIDAY, MARCH 16, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

DEPARTMENT OF EDUCATION

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

JOHN STAEHLE, ACTING DIRECTOR, COMPENSATORY EDUCATION PROGRAMS

PREPARED STATEMENT

Senator WEICKER. The subcommittee will come to order.

This morning we will continue the hearings on the administration's fiscal year 1985 budget proposals for the Department of Education.

Our witness this morning is Lawrence F. Davenport, the Assistant Secretary for Elementary and Secondary Education. Mr. Davenport will discuss the proposed budget for compensatory education for the disadvantaged, the chapter 2 block grant and special programs, and impact aid.

We will insert your prepared statement on compensatory education for the disadvantaged in the record first and then proceed.

[The statement follows:]

Statement of Lawrence F. Davenport

I am pleased to appear before your committee to discuss the 1985 budget request for the Compensatory Education for the Disadvantaged account. We are requesting $3.48 billion for fiscal year 1985, the same level as 1984. This request will enable the Federal government to continue providing substantial assistance to State and local educational agencies for compensatory educational services to the disadvantaged. The activities supported within this account remain high priorities within the Department and make up nearly 23 percent of its 1985 budget request.

Within the request, we propose to redistribute resources among Chapter 1 activities. Because the Chapter 1 Grants to Local Educational Agencies program has proven successful in improving basic academic skills of disadvantaged students, our 1985 proposal seeks an additional $30,839,000 over the current year's level for that program. In addition the 1985 request would increase funding for Chapter 1 evaluation in order to conduct the Congressionally mandated study of compensatory education programs.

Our 1985 request proposes to reduce funding for the Chapter 1 Migrant Education and State Administration activities. Our Chapter 1 Migrant Education request would focus funds on children whose education is most adversely affected by their migrant status. Our request for State administration, although reduced by 10 percent from last year's level, will provide adequate funding for States to carry out their administrative responsibilities. No funds are requested for the High School Equivalency and College Assistance Migrant programs because of their high costs.

Grants to Local Educational Agencies

Chapter 1 Basic Grants to Local Educational Agencies remains the primary vehicle for providing compensatory education services to the disadvantaged. We have requested $3,034,519,000 for this program, an increase over the 1984 level of $30,839,000. The additional funds will help LEAs offset possible program increases, while maintaining services to an estimated 4.9 million disadvantaged children. Nearly 14,000 school districts, 90 percent of the districts in the United States, will receive Chapter 1 funds in school year 1985-86. If localities continue to serve 4.9 million children in the Chapter 1 program, the Federal contribution in 1985 would average about $620 per child. Local school districts alone, however, determine the actual number of children receiving Chapter 1 services and thus the Federal contribution per child in any year. Program data attest to the large variation in the way States and localities chose to use their Federal funds. In the 1981-82 school year the average Federal contribution per child ranged from $317 to $1,061 depending on the State.

State Agency Program

For the Chapter 1 Migrant program we are requesting $229,626,000. Of this amount $5.0 million will support the Migrant Student Record Transfer System and the remaining $224,626,000 will support compensatory education activities provided by the State. We continue to believe that migrant funds should be focused on children whose education has most recently been affected by their

migrant status. Program data indicate that over one-quarter of all children in the program have not moved during the last three years. The 1985 request would reduce total funding for the migrant program by eliminating from eligibility those children who are in their fourth and fifth year of eligibility as formerly migrant children. We estimate that about 431,000 children would continue to qualify for the Chapter 1 migrant education program in 1985. Our request would maintain Federal support at the current $521 per child level for children who are currently migratory or who are in their first, second, and third year of eligibility for services as formerly migratory children. Those children who are no longer eligible after four years, but are still educationally disadvantaged, can and should be provided compensatory education services through the Chapter 1 LEA grant program.

We have requested $146,520,000 in 1985 for the Chapter 1 Handicapped program, the same as the 1984 level. The program expects to serve about 246,000 children with a Federal contribution per child of roughly $595. No changes in policy are proposed in fiscal 1985.

For the Neglected and Delinquent program in 1985 we are requesting $32,616,000, the same level as the 1984 level. No policy changes are proposed for 1985. The program expects to serve about 49,000 students with an average Federal contribution of $665 per child.

Other Programs

To provide for the various administrative requirements of Chapter 1, we are requesting $30,973,000 for State Administration in 1985. This represents a $3,441,000, or 10 percent, reduction from the 1984 level. Because passage of ECIA streamlined program operations and simplified administrative requirements, the Administration believes that fewer dollars are needed for administative purposes. At the 1985 request level each State will receive an amount that is proportionate to its total Chapter 1 allocation but no less than $225,000.

For evaluation of Chapter 1 programs we are requesting $5,746,000. A portion of these funds will support studies of Chapter 1 needed to meet the evaluation mandates established by Congress in P.L. 98-211 (the ECIA Technical Amendments). The information resulting from these studies will assist the Department and Congress in developing program policy for the 1987 Chapter 1 reauthorization. In addition, this activity will support the Secretary's initiative to assist States in improving program quality at the local level and provide assistance to State and local officials through regional technical assistance centers.

Finally we are requesting no funds for the High School Equivalency program (HEP) or the College Assistance Migrant program (CAMP) in 1985 because they are costly relative to the number of students served. In the 1983-84 school year the $7.5 million appropriated for HEP and CAMP will serve only 3,320 students at an estimated cost of $2,300 per student. We believe that these programs are too small to have a significant impact on education nationally and that the savings achieved here could be better applied to the Chapter 1 program.

Proposed Legislation

In order to implement the 1985 budget proposal I have just outlined and to ensure the smooth operation of the Chapter 1 program, we have proposed several amendments to the authorizing statute that will accompany the 1985 budget request.

The first change would allow the Department to use the criteria for poverty used by the Bureau of the Census for the 1980 census instead of the criteria used for the 1970 census. Such an amendment would provide us with a more consistent and accurate data base on which to make the formula allocation.

The second amendment would eliminate the requirement that the Department include obsolete 1975 Survey Income and Education (SIE) data in making the Chapter 1 formula allocation.

The third amendment concerns the Chapter 1 Migrant Education program. The proposed legislative change would reduce from five to two years the time a formerly migrant child can be deemed migratory for purposes of allocating funds and receiving services. This proposal would be phased in over two years. Under the existing law, migrant children are counted for allocation purposes and are eligible to receive services for five years after they have ceased to migrate. The proposed change would allow us to focus funds and services more effectively on those children who are actually migratory.

The fourth change would affect the funding authorization for migrant coordination activities by eliminating the minimum funding requirement of $6,000,000. This legislation would give us needed flexibility in allocating resources between direct services and coordination activities.

The Administration also continues to support legislation submitted last year to give State and local educational agencies the option of providing Chapter 1 compensatory services through a voucher mechanism. The proposal would not affect the distribution of Chapter 1 funds to local school districts, but would provide an alternative, at State or local option, for better administration and use of Chapter 1 funds.

My colleagues and I will be happy to respond to any questions you may have.

Biography of Lawrence F. Davenport

POSITION : Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : Lansing, Michigan, October 13, 1944

EDUCATION : Michigan State University, 1966, B.A.
Michigan State University, 1968, M.A.
Fairleigh Dickinson University, 1975, Ed.D.

EXPERIENCE

PRESENT	:	Assistant Secretary for Elementary and Secondary Education
1981-1982	:	Associate Director for Domestic and Anti-Poverty Operations, ACTION
1979-1981	:	Provost, San Diego Community College District
1974-1979	:	President, San Diego Community College Educational Cultural Complex
1972-1974	:	Vice President for Development, Tuskegee Institute
1972-1972	:	Assistant Dean for Special Projects, the University of Michigan-Flint
1969-1972	:	Director of Special Projects, the University of Michigan-Flint
1968-1969	:	Assistant Director of Student Activities, Lansing Community College

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Compensatory Education for the Disadvantaged

Budget Authority by Activity

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1985 Estimate
1. Grants for the disadvantaged:				
(a) Grants to LEAs.....	$2,727,587,568	$2,729,939,000	$3,003,680,000	$3,034,519,000
(b) State agency programs:				
(1) Migrants.....	255,744,000	129,434,000	258,024,000	229,626,000
(2) Handicapped.....	146,520,000	104,850,000	146,520,000	146,520,000
(3) Neglected and delinquent.....	32,616,000	21,886,000	32,616,000	32,616,000
Subtotal.....	434,880,000	256,170,000	437,160,000	408,762,000
(c) State administration	33,180,432	22,100,000	34,414,000	30,973,000
(d) Evaluation and studies	4,746,000	5,760,000	4,746,000	5,746,000
Subtotal.....	3,200,394,000	3,013,969,000	3,430,000,000	3,480,000,000
2. Migrant education:				
(a) High school equivalency program.....	6,300,000	---	6,300,000	---
(b) College assistance migrant program....	1,200,000	---	1,200,000	---
Subtotal.....	7,500,000	---	7,500,000	---
Total budget authority...	3,207,894,000	3,013,969,000	3,487,500,000	3,480,000,000

INTRODUCTION OF ASSOCIATES

Mr. DAVENPORT. Thank you, Mr. Chairman.

I am accompanied by Mr. Gary Bauer, Deputy Under Secretary for Planning, Budget, and Evaluation, and John Staehle, Acting Director, Compensatory Education.

Mr. Chairman, I would like my prepared statement to be put in the record and to give a summary statement at this time.

BUDGET REQUEST

I am pleased to appear before your committee to discuss the 1985 budget request for the compensatory education for the disadvantaged account. We are requesting $3.48 billion for fiscal year 1985, the same level as 1984. This request will enable the Federal Government to continue to provide substantial assistance to State and local educational agencies for compensatory educational services for the disadvantaged. The activities supported within this account will remain a high priority and make up nearly 23 percent of the 1985 budget request.

Within the request, we propose to redistribute resources among chapter 1 activites. Because the chapter 1 grants to local education programs have proven successful in improving basic academic skills of disadvantaged students, our 1985 proposal seeks an additional $30,839,000 over the current year's level for that program.

In addition, the 1985 request would increase funding for chapter 1 evaluation in order to conduct the congressionally mandated study of compensatory education programs.

Our 1985 budget request proposes to reduce funding for the chapter 1 migrant education and State administration activities.

Our chapter 1 migrant education request would focus funds on children whose education is most adversely affected by their migrant status.

Our request for State administration, although reduced by 10 percent from last year's level, will provide adequate funding for States to carry out their administrative responsibilities.

No funds are requested for the high school equivalency and college assistance migrant programs because of their high costs.

My colleagues and I will be glad to respond to any questions that you may have, Mr. Chairman.

ELIGIBLE CHAPTER 1 POPULATION

Senator WEICKER. For nearly two decades, the Federal Government has been supporting compensatory education for disadvantaged children through the chapter 1 program. A number of studies through the years show that significant gains in academic achievement have been made as a result of the services provided.

Approximately what percent of the students eligible to be served under the chapter 1 program are actually being served?

Mr. DAVENPORT. As you know, this program is operated on the local level. I believe that as many as 75 to 80 percent of the students who are eligible under chapter 1 are being served.

USE OF CHAPTER 1 AND CHAPTER 2 FUNDS

Senator WEICKER. You are proposing no overall increase in chapter 1 funding except for some internal shifting of funds within the chapter 1 programs. There have been no comprehensive studies done of the chapter 2 block grant with any conclusive evidence of its success, and yet you are proposing a $250 million increase in the block grant for fiscal year 1985.

Why don't you delay increasing the chapter 2 block grant increase until you have some conclusive evidence of its success and instead put the $250 million into programs of proven benefits such as chapter 1, which is currently underfunded?

Mr. DAVENPORT. Well, Mr. Chairman, as you know, the block grant program provides the States and their local educational agencies the greatest amount of discretion in the use of the funds they are allocated. If after receiving funds they find that the needs of their students are for more chapter 1 type services, the block grant money can be used to provide these services. Block grant funds can also be used to attack the issues which have been pointed out by recent reports, foremost among those is the report of the Commission on Excellence in Education. If they so choose they can direct block grant funds toward these significant needs.

Mr. BAUER. Mr. Chairman, the money that we are asking for in chapter 2 can be used for addressing the needs of chapter 1 students if the school district feels that that is a need they want to address with the money.

Senator WEICKER. Well, again, I repeat, by your own figure, roughly one-half of the eligible students are actually being served by chapter 1.

Mr. BAUER. Actually, you can make a case that the percentage is greater than that. The allocation process for determining how much chapter 1 money goes into the various districts is done on the basis of the number of children, low-income children, but not all those low-income children will necessarily be educationally disadvantaged, and, in fact, not all the money is spent on all those low-income children.

We did some recent work at the Department that indicates the number of children that are eligible and are being served might be closer to about 75 or 80 percent. Clearly, there would still be an unmet need, but we think we are a little better off in that area than it might appear at first glance.

VARIATION OF CHAPTER 1 EXPENDITURES AMONG STATES

Senator WEICKER. According to your justifications, chapter 1 expenditures per child served vary widely among the States, from $317 in California to $1,061 in Alaska.

What are the reasons for this wide variation?

Mr. STAEHLE. I think the main thing, as Dr. Davenport said, it that it is mainly a matter of local choice. Now, places like Alaska, you do have problems. You have high cost programs to begin with. State and local programs, nonfederally funded programs are very expensive. They are the highest per pupil cost of education.

So that there is that kind of variation. Other places have other kinds of programs. You have a lot of State-funded compensatory education, which makes chapter 1 money, in effect, go a little further.

So there are bound to be those kind of variations. Even the State departments of education don't have a lot of control over this. They have their own standards, and they have to approve projects which they deem to be successful. When you come down to it, it is really a question of what local school systems' priorities are, what resources they have for compensatory education, and that is why you get this variation.

There is a lot of variation within States as well as amongst them.

Mr. BAUER. Mr. Chairman, that has been an area that the Secretary has been very concerned about, and that is one of the reasons that he has been attempting to identify particularly effective chapter 1 programs that are also low cost so that we could disseminate that information around the country and encourage other districts, when they can, to provide better services at a more reasonable cost than some of the ranges which are cited in your question.

MODIFICATION OF THE CHAPTER 1 FORMULA

Senator WEICKER. For chapter 1 basic grants to local educational agencies, you request two substantial modifications to the allocation formula: First, that the portion of the formula using data from the 1975 survey of income and education not be implemented; and, second, that the 1980 census poverty data and new 1980 census poverty criteria be used to allocate all basic grants.

Have you asked the authorizing committees to make these statutory changes?

Mr. DAVENPORT. Yes; they have been submitted.

Senator WEICKER. To who?

Mr. DAVENPORT. The authorizing committees.

Senator WEICKER. Why should we implement these substantial allocation formula changes when the relevant authorizing committees have not seen fit to act on such changes?

Mr. BAUER. I am not sure on first glance that they would be that substantial. Some of the preliminary information that we looked at that would show the difference in the allocation of funds that result from using the poverty criteria associated with the 1970 rather than the 1980 census is not significant and would cause no substantial change to the States. But even with that in mind, we do think it is appropriate that the money be appropriated on the basis of the most up-to-date statistical information that we have, and of course the 1980 census is the most up-to-date information that we have in that regard.

Otherwise, the money tends to flow even in small measure to areas that perhaps don't need it as much as areas that might have needed it in 1970.

Mr. STAEHLE. If I might add to that, we are not saying that we are not using the 1980 census. There is a little anomaly in there about whether we use the 1970 criteria for poverty which the statute now forces us to do, or the 1980 criteria for poverty.

That difference does not change the distribution of funds a lot. It just doesn't seem to make any sense.

The other one, the use of the 1975 SIE data is a measure that was put in when people thought—and quite rightly so—that the 1970 census data no longer reflected the distribution of poverty accurately, and some interim measure ought to be used.

Now that we have the 1980 census data, the requirement to reserve a certain amount of the chapter 1 funds to be distributed on the basis of the 1975 SIE doesn't make any sense any more. In other words, it is an obsolete requirement. It was OK at the time it was instituted, but it is not now. But if you have old 1975 SIE data, any money distributed on that basis is just not logical.

Senator WEICKER. Well, I am not disputing the use of the latest data, but I will say this, and I have said it time and again, I do not intend to go ahead and make statutory changes in this committee. That needs to be done by the authorizing committees. If they do it, fine. If they don't, then there is nothing we can do about it.

1985 REQUEST FOR CHAPTER 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES

Senator Proxmire.

Senator PROXMIRE. You are requesting an increase of $30,839,000 for chapter 1 grants to local educational agencies in fiscal year 1985.

Can you tell us how you settled on that exact figure? Does it have any special significance?

Mr. BAUER. No; we wanted to put as much money as we could into the LEA grants because we find that is a very effective part of the program.

Senator PROXMIRE. The reason I asked that, Mr. Bauer, is because that is roughly 1 percent over the current appropriation. It is well below the rate of inflation. I imagine it is even further below the rate of inflation that elementary and secondary education has to endure. So it is a cut in real dollars.

At the same time, the number of children living in poverty has increased over the last several years, and the need for assistance has increased.

So my question really is how do you justify an increase of only $30.8 million, which is a lot of money, but considering the size of the program is a reduction in real dollars.

Mr. BAUER. Senator, there is always a desire, certainly by the people served by a variety of programs, by our Department and other departments in the Government, to have an increase by the rate of inflation.

As you know, however, to the extent that the Federal Government did that in any kind of automatic way, it would insure that we would never get the inflation problem under control.

We feel pretty good about the significant improvement that has been made in inflation from the last year of the Carter administration until now, and we think that that improvement has resulted in a lot more spending power on the great bulk of education dollars which you know

are not coming from Washington but really come from the State and local level.

As a matter of fact, last year, for the first time in some time, the rate of increase on spending on education from all sources increased at a rate greater than the rate of inflation. The increase from all sources went up 7 percent; whereas, the inflation rate we managed to accomplish last year was only 3.4 percent.

So we think overall in most of these programs, with that inflation improvement and given the fact that most money does come from the State and local level, that we are, in fact, providing a good bit of the need that we have to, given the inflation rate.

CONTROLLING INFLATION

Senator PROXMIRE. You are not arguing that holding down the rate of increase in Federal aid for education has anything to do with the inflation rate, are you?

Mr. BAUER. I am contending that our overall efforts to hold down the rate of spending has been a factor that has contributed to the decrease in inflation.

Senator PROXMIRE. Federal spending overall has greatly increased. If you include military spending, overall spending has gone up sharply.

The fact is that we have an enormously inflationary deficit. We have a monetary policy that is going in the other direction, and partly as a result of that policy, but mainly as a result of a deep recession, the worst which we have had since the Great Depression, inflation has come under control. It seems to me that what the Federal Government spends on assistance for education has a very, very marginal effect.

You are right, the States provide about 92 percent of the cost of public elementary and secondary education but the 8 percent supplied by the Federal Government is related to children who come from poor families and who are handicapped.

CHANGES IN CHAPTER 1 ALLOCATIONS

Mr. DAVENPORT. Senator, you have to look at the complete package. It is important to look at all of the changes that we proposed, not only the proposed increase in the funding level. We also proposed a change in the chapter 1 allocation formula which affects the way funds are distributed.

That proposed change would redirect funds which under the current formula are going to areas which have actually experienced a decrease in enrollment of low-income students to the areas which actually have increased enrollment of low-income students.

This increase in funds to areas with growing enrollment must be considered in conjunction with the $30 million increase we are proposing. We are actually proposing a twofold increase, the increase of the $30 million, which you said is about 1 percent, plus the additional funds which would flow to the students as a result of the proposed change in the allocation formula.

Senator PROXMIRE. Well, the first point that I wanted to make was that the $30 million is not an increase in real terms because of inflation. But you say because of a change in the formula more money would go to children who would be from underprivileged backgrounds?

Mr. DAVENPORT. Yes sir.

Mr. STAEHLE. Substantial shifts. When we start using the 1980 census, remember we have had two supplemental increases in 2 years to protect those. When we still used the 1970 census data as the basis for allocating funds, the supplemental gave more to those who would have fared better with the 1980 census. The next year the supplemental did just the reverse. This dampened the decreases in States where they are losing out proportionally because of the shift in the 1980 census.

So even if we increase this substantially, you still would probably have a number of counties which is where we make the allocations, for chapter 1 that would receive the minimum 85 percent level. It varies because of the substantial decrease in poverty.

If not for this 85 percent hold harmless provision many of those areas would decrease even much further than 15 percent.

Senator PROXMIRE. Has there been a substantial decrease in poverty?

Mr. DAVENPORT. Yes; in the various counties. As we distribute the funds, the allocations to some counties would increase and some would go down.

As you know, the legislation provides for an 85 percent floor, and, therefore, we cannot reduce allocations more than 15 percent even if their enrollment has dropped more than 15 percent. If this legislative restriction were removed, all the funds would flow to the targeted kids.

But when Congress puts in a provision that requires funding districts for students no longer enrolled in these districts—we have phantom students—which may not be exactly the way to put this—but those funds cannot go to the districts that have experienced increases in enrollment of low-income students.

MANDATED STUDY OF CHAPTER 1

Senator PROXMIRE. Let me ask you this. How much of the $1,746,000 that you have requested to conduct chapter 1 program studies and evaluations will support the national assessment mandated by Congress?

Mr. BAUER. The bulk of the $1.7 million will support the national assessment.

Senator PROXMIRE. It is entirely for that purpose?

Mr. BAUER. Yes; the largest part is.

Senator PROXMIRE. Now, will support for this study also come from the National Institute of Education and the Secretary's discretionary fund?

Mr. BAUER. Yes.

Senator PROXMIRE. Can you tell us what the total cost of the study will be next year and what the major activity will be?

Mr. BAUER Well, in 1984 we plan to spend around $1 million; in 1985, around $3.5 million. Rounded off, the total 2-year cost will be almost $5 million, to meet the mandated study.

Senator PROXMIRE. What is the major activity?

Mr. BAUER. Well, we are going to be looking at the effectiveness of the program and what its results have been, looking toward the 1987 reauthorization. We want to eventually make the kind of improvements needed to make the program more effective.

STUDENT ACHIEVEMENT GAINS IN MATHEMATICS

Senator PROXMIRE. Now, on page 20 of your justification, you say, and I quote: "Students receiving remedial mathematics instruction often regressed when title I support was removed."

I wonder if you can explain this statement a little further. Does it mean that gains made in mathematics under the chapter 1 program are transitory in nature and will not be of lasting value after a student leaves school to go into the workplace?

Mr. BAUER. There are certainly some indications in the evaluation work that has been done that the gains that are initially enjoyed by students served by chapter 1 are not maintained over a long period of time. Students in out-years still show an improvement but not the same kind of increase in performance that they show in the earlier years of the program.

Senator PROXMIRE. Do they lose most of their learned mathematical skills or only a small part of them? What is the progression? Is this a significant problem?

Mr. BAUER. I don't have those figures.

Senator PROXMIRE. Would you provide those figures?

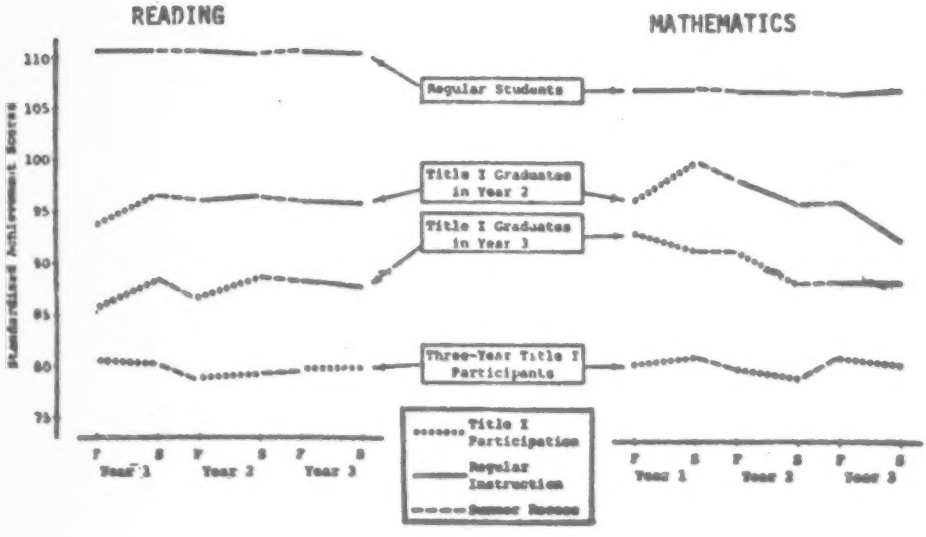
It seems to me that if the loss is a modest one it wouldn't matter so much. Otherwise, it would seem that we are wasting our money.

Mr. BAUER. We will submit that for the record.

[The information follows:]

LONGITUDINAL EFFECTS OF TITLE I

Data from the sustaining effects study represented in the following chart indicates title I (now chapter 1) participation across time and presents achievement information for four groups of students: (1) regular students who did not need and did not participate in title I; (2) title I participants in year one who "graduated out" of title I in year two and stayed out; (3) title I participants in years one and two who "graduated out" of title I in year three; and (4) title I students who participated in the program for all 3 years. The charts show that in reading title I graduates do not generally fall back noticeably after participation ceases. However, in mathematics there is a decline after participation ceases. Thus it appears that title I has some sustained benefits for program participants, particularly in reading, but that some students, especially in math, regress when title I support is removed.



MIGRANT EDUCATION PROGRAM CUTS

Senator PROXMIRE. Mr. Chairman.

Senator WEICKER. One of the few areas in elementary and secondary education where you are proposing cuts is in the migrant education program. For the chapter 1 migrant program, you are not only proposing a $28 million decrease, but you are also proposing legislation to reduce from 5 to 2 years the time period in which a formerly migrant child can be served under this program.

Approximately how many children would be affected by this change in policy over a 2-year period?

Mr. STAEHLE. I think that is a difficult question to answer because, although funds flow to the States—the primary users of the funds are the local school districts.

I think the significance of projection, in the chain of 5-year migrancy to 3 is the way in which the funds would be distributed. It isn't just a case of the more kids you count, the more funds are generated because it doesn't work that way. We have a formula, and when you start putting the figures in the formula with 3-year rather than 5-year migrants, then you have more kids who are currently migratory drawing funds to their respective studies.

Under the present situation, with 5-year migrancy at 60 percent of the students who are counted for the purpose of distributing the funds are formerly migratory and 40 percent are currently migratory—and "former" means that they may not have moved anywhere from 1 to 5 years.

Now, if you reduce to 3 years the period a formerly migrant student can be counted, you change that percentage so that slightly more than half would be currently migratory kids, and that would change the way the funds were distributed among the States.

So what it does is it starts taking some of the premium out of having

formerly migrant students, particularly in the fourth and fifth year, and puts a premium on having currently migratory kids.

Now, that is the formula, and you can use that with any amount of money. After all, the program was started for the kids who are currently migratory, and the provision was added later in which the kids could be considered currently migratory up to 5 years after they ceased to migrate.

Senator WEICKER. Since the regular chapter 1 education for the disadvantaged program only serves about 45 percent of all eligible children, on what do you base your assumption that these formerly migrant children will be served under the regular chapter 1 funds after they are eliminated from the migrant program?

Mr. DAVENPORT. Well, Mr. Chairman, I believe as Mr. Bauer mentioned earlier, we are serving about 75 to 80 percent of the eligible population. The figure which you have—the 48 to 49 percent of the total number of eligible children that we serve under chapter 1 may not be entirely accurate.

For the migrant program, we propose to refocus the program on the currently migrant youngster and to make a slight adjustment which will direct more resources toward children whose education has most recently been affected by their migrant status. In some States, 93 percent of the students being served under this program have not moved in the past year. As you know from GAO reports about 40 percent of the children being served have not moved within 3 years.

When you begin to look at the way the migrant program funds are being utilized and then look at our proposal for the chapter 1 program, it is our opinion that we can make a much more significant contribution to the education of migrant children in this country by directing the resources to where they are most needed.

Remember that when the migrant education legislation was passed, migrants were moving every 12 to 14 weeks. As a result the children were falling behind educationally. Unfortunately under the actual funding pattern, 40 percent of the children served are currently in the migrant stream and 60 percent are formerly migrant. I believe this disparity should be corrected, and the resources should be targeted to those children with the greatest needs.

Mr. STAEHLE. There is no requirement, if I may add, in the statute which states that just because kids are counted for the purpose of enumeration, and, therefore, for the purpose of distributing funds, that they are going to be served.

We have a formula for distributing the money. That is one thing, and then there is a question of how the money is used.

Now, the statute does require that the priority be given to currently migratory children, but if a State has practically no migratory children and they have all formerly migratory kids, they are going to get a lot of money, and giving the priority currently to migratory children would be an easy thing to do.

Now, the State that has many currently migratory students and few formerly migrant children, may have trouble meeting the program needs, and I think that shift should be toward States that have currently migratory kids.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be further questions for response to the record.

Why don't you proceed with the matter of special programs.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

CHAPTER 1 VOUCHERS

Question: The FY 1985 Budget again proposed optional voucher legislation for the Chapter 1 Education for the Disadvantaged Program whereby low income parents could opt to send their children, at Federal government expense, to any public or private school of their choosing. What incentive would any State or local school district have to adopt voluntarily a voucher plan which many administrators seem to feel would seriously disrupt their ability to plan budgets and enrollments from year to year?

Answer: We do not believe that a voucher proposal would seriously disrupt a school district's ability to plan budgets and estimate enrollments from year to year. The legislation would not affect how Chapter 1 funds flow to the school districts (now based on the number of students from low-income families). Local officials would continue to make the decision on which educationally disadvantaged children would receive compensatory education services. The one aspect that would change is that a local educational agency (LEA) which chooses to implement a voucher system would give the parent of the child selected to receive compensatory education services the choice of either receiving those services directly through public schools or receiving a voucher (covering the Federal cost of the program) to seek compensatory education services elsewhere either in another school within the LEA, a non-public school, or another public school outside the school district.

Question: Isn't a voucher system incompatible with the current approach of concentrating Chapter 1 funds on school attendance areas with the greatest number or percent of economically or educationally disadvantaged children?

Answer: We do not believe so. The allocation of Chapter 1 funds would not change with the voucher proposal. Funds would continue to flow to local school districts and to school attendance areas within school districts based on the number of children from low-income families. Local officials would also continue to choose which educationally disadvantaged children would receive services as well as decide questions on whether to distribute vouchers to parents of all Chapter 1 children, to some subset of these parents (for example, parents of Chapter 1 children at particular grade levels), or only to parents of Chapter 1 children who request a voucher.

Question: As long as Federal funds would go directly to Church-affiliated private schools, which is approximately 85 percent of all private schools, how will your voucher proposal stand the constitutional test?

Answer: We do not see a constitutional issue here. The existing Chapter 1 statute (and its predecessor Title I) allows for Federal funds to be used in providing compensatory education services to children enrolled in nonpublic schools. The proposal does provide, however, that a voucher could not be used to attend a school that maintains a racially discriminatory policy.

Question: In what specific ways will vouchers provide for better administration and use of Chapter 1 funds at the State and local level, as stated in your budget justification?

Answer: A voucher system would improve the educational opportunities for disdavantaged children by allowing a broader array of educational providers to compete for their enrollment. Parents would have a choice in deciding where to enroll their children in order to obtain the best services. We believe that such an injection of competition would benefit the educational system that serves these children.

Our voucher proposal would also ease the Chapter 1 administrative requirements because LEAs that opt for a voucher arrangement would be able to submit a shorter simplified Chapter 1 application to the State educational agency.

STUDENTS ELIGIBLE FOR CHAPTER 1

Question: For nearly two decades, the Federal government has been supporting compensatory education for disadvantaged children through the Chapter 1 (formerly Title I) program. A number of studies through the years show that significant gains in academic achievement have been made as a result of the services provided. Approximately what percent of students eligible to be served under the Chapter 1 program are actually being served? (Note: The Council of Great City Schools estimates that only about 45 percent of the Nation's eligible children are receiving Chapter 1 services.)

Answer: There are no exact figures available on the number of students eligible for Chapter 1 services. The program is designed to serve children who are educationally disadvantaged and reside in low income areas. School districts ultimately determine who is educationally disadvantaged. The selection process is based on an assessment of needs done by the school district which varies from district to district.

We know that for the 1983-84 school year almost 8 million children from low-income families were counced for allocation purposes. Not all of these children are educationally disadvantaged. However, if we assume that 75 percent of these children are educationally disadvantaged, then our 1985 budget request (which would serve an estimated 4.9 million children) would serve roughly 80 percent of the eligible population.

There is also a significant number of children who are not poor but who would be considered educationally disadvantaged. We estimate that probably 8.8 million or 20 percent of the students enrolled in elementary and secondary schools nationaly are educationally disadvantaged. Many, but not all, of these children are from low income families. If we assume that 6.6 million (75 percent) of these educationally disadvantaged children live in low-income areas that receive Chapter 1 assistance, then our 1985 request would serve almost 75 percent of the eligible population.

CHAPTER 1 AND CHAPTER 2 BUDGET REQUEST

Question: You are proposing no overall increase in Chapter 1 funding, except for some internal shifting of funds within the

Chapter 1 programs. There have been no comprehensive studies done of the Chapter 2 Block Grant with any conclusive evidence of its success and yet you are proposing a $250 million increase in the Block Grant for Fiscal Year 1985. Why don't you delay increasing the Chapter 2 Block Grant until you have some conclusive evidence of its success and instead put the $250 million into programs of proven benefits such as Chapter 1, which is currently underfunded? (Note: The Department plans on funding a major Chapter 2 study but the results will not be available until the summer of 1985.)

Answer: We believe the proposed increase in funding for the Chapter 2 Block Grant is justified. Public interest in educational improvement is higher than it has been for many years. Spurred largely by reports of such groups as the National Commission on Excellence in Education, many States and school districts are developing plans and taking actions that will result in significant school reform. The Administration has been very impressed by these initiatives and is requesting additional funds that can be used to support and encourage State and local reform efforts. It is very important for school officials to be assured that the Federal government has a substantial interest in the improvement of our Nation's schools and is committed to doing its share.

Chapter 2 is clearly the best vehicle for carrying out this committment. Although all States have needs for reform and improvement in their public school systems, problems and solutions vary from State to State. Chapter 2 is the only education program we have that is flexible enough to respond to these variable needs. That program is also efficient. With a minimum amount of paperwork, Chapter 2 puts the money into the hands of those who are most knowledgeable about their educational needs -- State and local officials.

The problems in our Nation's schools are too urgent and the public interest is too high to delay this effort. We don't need to wait to know Chapter 2 is the most appropriately designed program. We know that now. Putting the requested increase into other programs is not the answer. There is no other program that would enable States to direct funds at their discretion to the most urgent educational reforms.

BASIC GRANTS TO LOCAL EDUCATIONAL AGENCIES

Question: According to your justifications, Chapter 1 expenditures per child served vary widely among the States, from $317 in California to $1,061 in Alaska. What are the reasons for this wide variation?

Answer: Those figures represent the Federal contribution to the per child cost of providing compensatory education services rather than the total cost of services. Local school districts alone determine how many children they will serve with Chapter 1 funds and thus the Federal contribution per child in any given year. The Federal contribution per child will vary widely from district to district depending on the needs of the participating children and the type of services provided.

In addition, other factors that will influence the cost of Chapter 1 projects among States include the size of the school districts within the State, the degree of urban development, and the

incidence of poverty. Generally, per pupil costs are greater in States that have districts which are large, have a higher degree of urban development, and have a greater incidence of poverty than those in States which have districts that are smaller, have less poverty, and are more rural.

Question: Are some States systematically more cost-effective in their use of Chapter 1 funds than others?

Answer: We have not identified any States that have systematically produced more cost effective Chapter 1 programs. Our focus through both the National Diffusion Network and the Secretary's Initiative has been to identify successful Chapter 1 projects and make the approaches used in teaching educationally disadvantaged children available to others.

Question: Have there been any results from the Secretary's initiative to identify and disseminate information about especially cost-effective Chapter 1 programs?

Answer: Funds from the Secretary's Initiative to Improve the Quality of Chapter 1 ECIA projects were awarded in September 1983 to 21 State educational agencies. Because these projects are still in progress no evaluation data are yet available.

Question: In the Department's District Practice Study, 30 percent of local education agencies reported that their Chapter 1 programs had not been audited in the previous 3 years, in spite of a requirement for States to conduct such audits at least once every 2 years. How are you now assuring that audits are carried out as required in the Chapter 1 legislation and regulations?

Answer: The Chapter 1 regulations require that any State or local government that receives Chapter 1 funds must comply with the organization-wide audit requirements contained in Attachment P of the Office of Management and Budget Circular A-102. These requirements were established to ensure that audits are made on an organization-wide basis, rather than on a grant-by-grant basis. Specific audits of Chapter 1 districts are no longer required but are included in the single, organization-wide audits. The Inspector General has responsibility for assisting States in implementing the single audit audit requirements and for determining whether States are fulfilling their responsibilities.

Question: In spite of increased attention to declines in achievement and quality of education particularly at the secondary level, we still find that only 6 percent of Chapter 1 participants are in grades 10-12 (1981 -82). What can or should the Department do to increase the use of Chapter 1 funds at the secondary level?

Answer: Under both the law and regulations LEAs choose, based on assement of educational needs, which educationally disadvanatged children will receive compensatory education services. The Department does not try to impose any educational priorities on the local districts.

Historically, LEAs have placed emphasis on early intervention at the elementary level. As an educationally deprived child gets older, he or she falls further behind. Because educational depriva-

tion is cumlative, LEAs generally concentrate the services early in the child's education in order to prevent further deterioration.

Question: If appropriations were substantially increased, would larger shares of the additional funds be used to serve secondary students?

Answer: We are not sure because the present law and regulations allow local school districts to make the decision on the design of the local Chapter 1 project and choose the educationally disadvantaged students who will receive compensatory education services.

Question: How are Chapter 1 funds being used to help assure that disadvantaged students do not fall even further behind as a result of unequal access to the latest forms of educational technology, especially microcomputers, that are more widely available in schools serving higher income areas?

Answer: A study carried out for the Department of Education in Spetember 1983 by Policy Studies Associates, Inc. found that:

> Current evidence suggests that growing numbers of local Chapter 1 projects are acquiring and using computers in the provision of compensatory instruction. Because of these efforts by local Chapter 1 projects, Chapter 1 students have roughly equal opportunities for use of computers in school as do other students. Although Chapter 1 students are more likely to use the computers for drill and practice activities, the available evidence does not permit us to conclude that these assignments are unfair or improper.
>
> At the local level, the most perplexing problems probably concern the decisions that are made regarding integration of computer-based instruction into the larger curriculum. From earlier studies and from anecdotal reports it seems clear that the introduction of computers into Chapter 1 projects--or into the regular instructional program--will not itself improve the learning of Chapter 1 participants. Improvement will be realized only to the extent that these technological tools advance the particular instructional objectives of the Chapter 1 project.

CHAPTER 1 ALLOCATION FORMULA

Question: For Chapter 1 basic grants to local educational agencies you request two substantial modifications to the allocation formula -- first, that the portion of the formula using data from the 1975 Survey of Income and Education not be implemented and second, that 1980 census poverty data and new (1980) census poverty criteria be used to allocate all basic grants. Have you asked the authorizing committees to make these statutory changes?

Answer: Yes, the legislative proposals were submitted to Congress on February 8, 1984.

Question: Why should we implement these substantial allocation formula changes through the appropriations process, when the rel-

evant authorizing committees have not seen fit to act on such changes.

Answer: First, we view these changes to the allocation formula as technical in nature. They will have little impact on the allocation of funds to the States. However, because these amendments allow the Department to use consistently more accurate data associated with the 1980 census, we believe they are sufficiently important to propose them in special appropriation language in order for them to affect allocations for the 1985-86 school year. We have also submitted these technical formula changes to the authorizing committees as a permanent change.

Question: What parts of the Nation would gain or lose funds under each of these changes?

Answer: No State would gain or lose more than $4 million as a result of the proposed changes. Twenty-nine States would gain because of the proposed legislation. The average increase would be 1.3 percent. Twenty-three States would lose. The average loss would be 1.2 percent. The following table provides a State-by-State comparison:

Impact on State Chapter 1 Allocations of Technical Formula Changes Proposed by the Administration

State or Outlying Area	1985 Request Based on the Existing Statute	1985 Request Based on Proposed Legislation	Gain or Loss If Administration's Proposal Is Accepted	Percent Change
Alabama	62,639,704	64,055,027	+ 1,415,323	+2.5%
Alaska	5,102,701	5,226,102	+ 123,401	+2.4
Arizona	33,286,569	33,569,356	+ 282,787	+ .8
Arkansas	36,245,152	36,052,338	- 192,814	- .5
California	290,398,174	288,291,974	- 2,106,200	- .7
Colorado	29,525,283	29,379,420	- 145,863	- .5
Connecticut	31,169,932	30,972,912	- 197,020	- .6
Delaware	8,731,002	8,828,589	+ 97,587	+1.1
Florida	112,910,399	110,121,803	- 2,788,596	-2.5
Georgia	80,510,378	80,288,841	- 221,537	- .3
Hawaii	9,888,182	9,929,886	+ 41,704	+ .4
Idaho	8,706,947	9,029,058	+ 322,111	+3.7
Illinois	151,707,326	151,243,731	- 463,595	- .3
Indiana	43,204,359	43,597,251	+ 392,892	+ .9
Iowa	24,963,530	25,605,834	+ 642,304	+2.6

State or Outlying Area	1985 Request Based on the Existing Statute	1985 Request Based on Proposed Legislation	Gain or Loss If Administration's Proposal Is Accepted	Percent Change
Kansas	19,056,647	19,099,788	+ 43,141	+ .08
Kentucky	53,364,198	53,366,009	+ 1,811	+ .003
Louisiana	71,863,438	72,165,594	+ 302,156	+ .4
Maine	12,022,890	11,754,213	- 268,677	-2.2
Maryland	52,764,326	52,014,147	- 750,179	-1.4
Massachusetts	70,608,210	69,599,808	- 1,008,402	-1.4
Michigan	115,781,469	116,306,718	+ 525,249	+ .5
Minnesota •	37,863,590	38,320,933	+ 457,343	+1.2
Mississippi	57,852,948	58,423,703	+ 570,755	+1.0
Missouri	50,556,355	50,332,175	- 224,180	- .4
Montana	9,460,789	9,486,287	+ 25,498	+ .3
Nebraska	15,479,235	15,553,571	+ 74,336	+ .4
Nevada	5,231,408	5,063,279	- 168,129	-3.2
New Hampshire	6,841,896	6,629,107	- 212,789	-3.1
New Jersey	100,317,164	99,850,449	- 466,715	- .5
New Mexico	26,493,770	26,525,286	+ 31,516	+ .1%
New York	321,551,382	324,026,076	+ 2,474,694	+ .8
North Carolina	73,116,590	72,647,547	- 469,043	- .6

State or Outlying Area	1985 Request Based on the Existing Statute	1985 Request Based on Proposed Legislation	Gain or Loss If Administration's Proposal Is Accepted	Percent Change
North Dakota	6,400,319	6,574,122	+ 173,803	+2.7
Ohio	108,875,482	108,124,223	- 751,259	- .7
Oklahoma	34,129,362	33,948,812	- 180,550	- .5
Oregon	27,312,011	27,359,705	+ 47,694	+ .2
Pennsylvania	149,758,110	148,218,052	- 1,540,058	-1.0
Rhode Island	11,631,862	11,628,815	- 3,047	- .03
South Carolina	47,259,181	46,811,142	- 448,039	- .9
South Dakota	8,980,055	9,438,773	+ 458,718	+5.1
Tennessee	63,322,708	62,638,600	- 684,108	-1.0
Texas	185,662,753	185,827,368	+ 164,615	+ .09
Utah	10,538,890	10,973,920	+ 435,030	+4.1
Vermont	5,760,086	5,536,228	- 223,858	-3.9
Virginia	59,081,112	58,750,682	- 330,430	- .6
Washington	37,412,399	37,713,139	+ 300,740	+ .8
West Virginia	26,825,717	26,879,858	+ 54,141	+ .2
Wisconsin	46,919,362	47,205,407	+ 286,045	+ .6
Wyoming	3,745,204	3,745,518	+ 314	+ .008

State or Outlying Area	1985 Request Based on the Existing Statute	1985 Request Based on Proposed Legislation	Gain or Loss If Administration's Proposal Is Accepted	Percent Change
District of Columbia	13,824,035	13,906,884	+ 82,849	+ .6
Puerto Rico	123,729,724	127,759,790	+ 4,030,066	+3.2

Question: Why are the new (1980) census poverty criteria preferable to the old (1970) criteria?

Answer: The issue here is one of consistency. Under the existing statute the Department can use 1980 census data on the number of children from low-income families as the basis for making Chapter 1 allocations but must adjust those data to reflect the poverty criteria established under the 1970 census. The proposed legislation would enable the Department to use the criteria for poverty associated with the more recent 1980 census and thus provide a more accurate data base on which to make the formula allocation.

CHAPTER 1 MIGRANT EDUCATION

Question: One of the few areas in elementary and secondary education where you are proposing cuts is in the Migrant Education Program. For the Chapter 1 Migrant Program, you are not only proposing a $28 million decrease, but you are also proposing legislation to reduce from 5 to 2 years, the time period in which a formerly migrant child can be served under this program. Approximately how many children would be affected by this change in policy over a two-year period?

Answer: We estimate that almost 86,000 children would be affected over a two-year period.

Question: What is your rationale for limiting this period to two-years? Is there a specific rationale in educational terms for choosing two years instead of three years or five years or one year? Is this simply a strategy for reducing program cost?

Answer: The purpose of our Chapter 1 Migrant Education legislative proposal is to focus resources on children whose education has most recently been affected by their migrant status. Program data indicate that over one-quarter of all the children in the program have not moved during the last three years. We do not believe that non migratory children should receive services under the program as migrant students. The proposal takes into account that a migrant child's initial move may have an adverse effect on his or her education for several years and would therefore allow such a child to continue receiving services as a formerly migratory child for up to two years after he or she has ceased to migrate. Beyond that two year period such a child, if he or she still needed remedial assistance, could be served through the school district's regular Chapter 1 compensatory education program.

Question: Since the regular Chapter 1 Education for the Disadvantaged program only serves about 45 percent of all eligible children, on what do you base your assumption that these formerly migrant children will be served under the regular Chapter 1 funds after they are eliminated from the migrant program?

Answer: We question the assertion that the regular Chapter 1 program for local school districts serves only 45 percent of the eligible population. There are no reliable figures on exactly how many children nationally are educationally disadvantaged because individual school districts define what constitutes an educational disadvantage to determine eligibility for Chapter 1 services. We

estimate that roughly 8.8 million or 20 percent of the students enrolled in elementary and secondary schools are educationally disadvantaged. If we assume that 6.6 million (or 75 percent) of these educationally disadvantaged students live in low income areas, then our 1985 Chapter 1 request (which would serve around 4.9 million students) would serve almost 75 percent (4.9 million) of the eligible population.

In addition Chapter 1 funds flow to about 90 percent of the nation's school districts. The liklihood that a formerly migrant child who has settled out of the Migrant Education program would not be located in school districts receiving Chapter 1 assistance is remote.

MIGRANT INTERSTATE AND INTRASTATE COORDINATION ACTIVITIES

Question: Why do you recommend that no funds be made available for the Migrant Education Interstate and Intrastate coordination program?

Answer: The decision not to fund Migrant education interstate and intrastate coordination activities was based on the need to set budget priorities within our total request for the Chapter 1 Migrant Education program. Within that request we chose to place more emphasis on providing direct services to migrant children through the State grant part of the program rather than on the less essential coordination activities. Within the Migrant Coordination activity itself we chose to fund the Migrant Student Record Transfer System (MSRTS) at the previous year's level ($5 million) because it provides the Department with data needed to allocate funds and provides LEA officials with a readily accessible source of school and health records on migrant students who have moved into their district rather than to fund less essential coordination activities such as the interstate and intrastate coordination projects.

Question: If you would like to terminate this program why did you make a comprehensive revision in its regulations last year?

Answer: At the time those regulations were published the program was funded and the Department needed regulations in place in order to make grant awards from funds appropriated for fiscal year 1983.

CHAPTER 1 MIGRANT EDUCATION COMPLIANCE

Question: In recent years, there have been several audit reports that criticized State educational agencies for the way in which they determined who is eligible to participate in the migrant education program. What steps have you taken to ensure that States strictly comply with the eligibility standards found in the statute and regulations?

Answer: The Department's Compensatory Education Program Office (CEP) has initiated onsite State-level reviews to provide technical assistance and to monitor each State's administration of its plan for the Migrant Education Basic State Formula Grant Program. Each plan describes a strategy for identifying and recruiting all eligible children in the State and how each category of eligible children will be served. Futhermore, each State plan establishes training objec-

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tives, including identification and recritment, and a schedule for the State's operations.

In addition to the onsite reviews, the CEP staff provides technical assistance to State educational agency persons through two national conferences and three migratory stream conferences each year and through telephone calls and correspondence throughout the year.

MIGRANT STUDENT RECORD TRANSFER SYSTEM

Question: Since 1975, The Migrant Student Transfer System has highly effective in providing the migrant program with accurate data on student enrollments needed to make state allocations. Evaluations have shown that the Migrant Record System is significantly more reliable than the previously used Labor Department System, although it has a tendency to undercount slightly the number of eligible migrant children. What is the rationale for your legislative proposal to eliminate the minimum authorization of $6,000,000 and instead fund the Migrant Student Record Transfer System at $5,000,000?

Answer: The propsoal to remove the $6,000,000 minimum set-aside was made in concert with our budget request of $5,000,000 for migrant coordination activities. We firmly believe that the Department should have latitude in assigning priorities on whether to place more emphasis on providing direct services to migrant children through the State Grant program or on less essential coordiantion activities. Within the Migrant Coordination activity itself we had to make choices between funding the Migrant Student Record Transfer System (MSRTS), which provides us with data to allocate funds and provides LEA officials with a readily accessible source of school and health records on migrant students who have moved into their districts, or funding other less essential coordination activities. The 1985 request of $5,000,000 for Migrant Coordination Activities maintains MSTRS the same level of support that it has received for the past three years. No funds for discretionary interstate and intrastate coordination grants were requested.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAMS

Question: In your justifications for terminating funding for the Migrant High School Equivalency program, you state that the federal cost per student served is $2,260 in contrast to the $45 per student federal cost of a program said to be similar. the Adult Education Act program. However, is it not true that the High School Equivalency program provides room and board and stipends for personal expenses, while the Adult Education Act program does not? If the High School Equivalency Program were terminated, would migrant students participate in the Adult Education Act program without this extra support?

Answer: The primary purpose of the High School Equivalency Program (HEP) is basically the same as that of the Adult education program -- which is to assist students beyond the traditional high school age to earn a high school diploma so that they can gain employment or continue their education or training at the Postsecondary level. Unlike the Adult Education program, HEP projects do provide students with room and board as well as stipends. However, we do not see that as an issue since providing students with those kinds

of services is not the primary objective of the program. Like the Adult Education program the primary aim of HEP it is to assist students in earning their high school equivalency certificate.

There is no guarantee that migrant students would participate in the Adult Education program. However, these State operated programs are available to those students who wish to take the opportunity to participate.

Question: Why is there no Migrant High School Equvalency program in any of the southeastern States? Aren't there many migrants in Flordia, Georgia, and the Carolinas?

Answer: The High School Equivalency Program (HEP) is a discretionary grant program. As such, funds are awarded to institutions of higher education (IHEs) and private and public nonprofit institutions, in coordination with IHEs, on a strictly competive basis. Applications for these funds are solicited annually based upon criteria published in the Federal Register. No eligible institution from any State is precluded from submitting an application, irrespective of geographic location. In keeping with the official regulations of the HEP program, its awards are made annually based on the merits of the proposal submitted. Within the last five years, HEP programs have been funded in the States of Flordia, North Carolina, and Arkansas. During the last fiscal year, Mississippi was the only successful applicant from the southeast. Even though there are many migrants in Florida, Georgia, and the Carolinas, no applications for HEP funds have been received from Georgia or South Carolina.

COLLEGE ASSISTANCE MIGRANT PROGRAM

Question: In your justification for terminating funding for the College Assistance Migrant program (CAMP), you state that the Federal cost per student served is $2,429 in contrast to the $404 per student Federal cost of a programs said to be similar, the Special Services for Disadvantaged Students. However, itsn't it true that the CAMP program provides scholarships and other financial aid to students, while the Special Services program does not? If the CAMP program were terminated, wouldn't migrant students have to obtain other student assistance? How much would this other aid cost? How much could be provided by Federal student aid programs?

Answer: While it is true that participants in CAMP can receive tuition scholarships during the first year of college while the Special Services program does not offer such scholarships, the purposes of the two program are very similar. Both are designed to help students from disadvantaged backgrounds to complete their first year of college successfully and to continue on to earn a postsecondary degree. They both provide tutoring and counseling services and assist students in obtaining grants, loans and work study arrangements to cover the cost of completing their college degrees.

Note that CAMP serves only 535 students. If the program were terminated, these students would be eligible to participate in 640 Special Services projects located throughout the country. In addition, they would also be eligble for the various Federal student assistance programs such as the Pell Grant and Work-Study programs as well as the Guaranteed Student Loan program.

CHAPTER 1 NEGLECTED AND DELINQUENT PROGRAM

Question: With regard to the $33 million Chapter 1 program for neglected and delinquent children in institutions, your justifications states that "limited evaluation data from the mid-1970's on the program's impact indicate that the program has had little influence on a student's academic performance." Since this evaluation is several years old, do you propose conducting a new study on the program?

Answer: Preliminary plans are being developed to begin a study of the program using funds requested for fiscal 1985

Question: If there is no evidence of the beneficial effects of the neglected and delinquent Chapter 1 program, why not terminate its funding and put those dollars into other programs of proven benefits?

Answer: The same national study of the State agency program for neglected and delinquent (N and D) children indicated that Title I students in institutions for the neglected or delinquent, whose average age was 18 years, performed at a level typical of fourth graders in public schools. Eligible students in these institutions are among the most educationally needy for their age group. These students have multiple educatioanl needs, particularly in the basic skills of reading and mathematics. Typically, N and D participants are dropouts from public school systems. Clearly, such children and youth need special assistance to improve their educational performance.

In its management of the State agency program, the Department is also undertaking the following:

- o Increasing onsite reviews of N and D programs to determine their effectiveness and to suggest improvements.
- o Developing and distributing documents describing successful practices found in these programs.
- o Increasing the use of consultant services from the Chapter 1 Technical Assistance Centers.
- o Developing and refining evaluation models for Chapter 1 N and D educational programs.

CHAPTER 1 SUMMER SCHOOL PROGRAMS

Question: There has always been concern about losses of achievement by Chapter 1 participants during the summer months. A recent Department survey indicates that the number of children served by Chapter 1 summer programs fell from 314,000 in 1979-80 to 186,000 in 1981-82. Are you concerned about this decline? What can or should be done about it?

Answer: Many education experts believe that loss of achievement during summer months is largely an artifact of testing. To the extent that it does exist, there is no significant evidence that Chapter 1 students are affected more adversely in comparison to non-Chapter 1 students.

While the number of children served by Chapter 1 summer programs did decline, as indicated in the ED survey, the number of children served in the regular school term programs also declined--from 5.40 million in 1979-80 to 4.86 million in 1981-82. In fact, the number of students served by Chapter 1 programs declined during that period in all but five States.

As the cost of education increases and educational resources become increasingly limited, local school systems are reassessing their summer programs and focusing on resources in those areas and activities they determine to be most effective.

CHAPTER 1 STATE ADMINISTRATION

Question: You have proposed a substantial cut, of 10 percent, in funds for Chapter 1 State Administration. The justification offered for this cut is greater flexibility and reduced burden of program administration under Chapter 1 compared to the previous Title I legislation. However, most all of the primary State responsibilities -- funds allocation, program monitoring, audits, technical assistance, evaluation of applications -- remain, and States have additional responsibilities for program guidance in a time when there is less direction from the Federal government. Why, then, should we cut state administration grants an additional 10 percent beyond the one-third cut most suffered at the initial implementation of the Chapter 1 legislation?

Answer: There is no precise relationship between the amount appropriated for a formula grant program such as Chapter 1 and the amount needed by the States to carry out their administrative responsibilities. Many State responsibilities under Chapter 1 remain unchanged from Title I and those administrative procedures associated with that program have become routine. The Education Consolidation and Improvement Act did streamline and make less burdensome the application process and the State monitoring requirements as will as increase flexibility in some of the important fiscal requirements such as comparability, supplement not supplant, and maintenance of effort. We believe that the amount requested will provide an adequate level of support for States to meet their administrative responsibilities under Chapter 1.

CHAPTER 1 GRANT TO LOCAL EDUCATIONAL AGENCIES

Question: Given the current concerns about the level of achievement in science and mathematics, especially among minority students, is it appropriate that only 42 percent of Chapter 1 participants receive compensatory instruction in mathematics? Should something be done to raise this percentage?

Answer: Local school districts make the decision on the type of compensatory education services provided with Chapter 1 funds. The Department does not try to impose what subject areas local school districts should address. However, because of the national concern over student achievement in science and mathematics, the Administration has proposed legislation that would improve the quality of science and mathematics instruction generally by helping States and local school districts meet critical needs for qualified science and mathematics teachers. The Department has requested $50 million for

this purpose in 1985. We believe this Federal initiative will do much to foster improvement in science and math instruction that will have direct benefits for educationally disadvantaged students.

Question: Do a substantial share of Chapter 1 participants receive computer science instruction?

Answer: No, local school districts concentrate on providing compensatory education services in basic skills areas such as reading and mathematics. The latest data from the 1981-82 school year indicate that 70 percent of the participants received remedial reading instruction while 42 percent received compensatory mathematics instruction. In addition, Chapter 1 students received instruction in other academic areas such as language arts (20 percent) and English for limited English-proficient students (11 percent).

CHAPTER 1 PARENT ADVISORY CONCERNS

Question: Chaper 1 of the Education Consolidation and Improvement Act repealed the former Compensatory Education Program requirement that recipient school districts must establish school and district-wide parent advisory councils. Have local school districts by and large abolished these councils? Where councils have been abolished, have districts established other formal mechanisms with which to consult parents? Where councils have not been abolished, has their role been changed by the new Federal legislation?

Answer: Based on information collected by teams that visited 10 States in FY 1983 to review their compensatory education programs as well as from information supplied through Chapter 1 directors, school districts have, by and large, retained their parent advisory councils at both the district and school levels.

Where councils have been abolished, school officials have established and maintained a variety of other approaches for consulting with teachers and parents in designing and implementing Chapter 1 projects.

In those districts where councils have not been abolished, we have no evidence that their role has been changed by the Chapter 1 legislation. The technical amendments to Chapter 1 (Public Law 98-211), which became effective in July 1983, require that local educational agencies convene annually a public meeting to which all parents of eligible students shall be invited in order to explain Chapter 1 programs and activities. Evidence collected thus far in fiscal year 1984 based on site visits to the States indicates that this requirement is being carried out.

Questions Submitted by Senator Mark Andrews

1985 CHAPTER 1 REQUEST

Senator Andrews: Although your proposal would raise the level of funding for Chapter 1 grants by $30.8 million, this increase is for all intents and purposes at the expense of migrant education and State administration activities. How do you justify this?

Answer: Because of the Chapter 1 Grants to Local Educational Agencies program has proved successful in improving the basic academic skills of educationally disadvantaged children, the Department requested an additional $30.8 million for that program. At the same time we have proposed reductions for the State Agency Migrant program and State Administration.

Our request of $229.6 million for the Migrant Education program is designed to help those children whose education has most recently been affected by their migrant status. Program data indicate that one-quarter of all children in the program have not moved during the last three years. This raises serious questions about whether children who have not moved after a certain period of time have a legitimate claim for services provided by the Migrant Education program. The 1985 request would reduce total funds for the migrant program by eliminating those children who are in their fourth and fifth year of eligibility as formerly migrant children. We estimate that about 431,000 children would continue to qualify for the Chapter 1 migrant education program in 1985. Our request would maintain Federal support at present levels for children who are currently migratory or are in their first, second, and third years of eligibility for services as formerly migratory children. Those children who ceased to migrate and are no longer eligible after four years, but are still educationally disadvantaged, can and should be provided compensatory education services through the Chapter 1 LEA Grant program.

For State Administration we have requested $31 million. There is no precise relationship between the amount appropriated for a formula grant program such as Chapter 1 and the amount needed by the States to carry out their administrative responsibilities. Many State responsibilities under Chapter 1 remain unchanged from Title I and those administrative procedures assoicated with that program have become routine. The Education Consolidation and Improvement Act did streamline and make less burdensome the application process and the State monitoring requirements as well as increase flexibility in some of the important fiscal requirements such as comparability, supplement not supplant, and maintenance of effort. We believe that the amount requested will provide an adequate level of support for States to meet their administrative responsibilities under Chapter 1.

CHAPTER 1 STATE ADMINISTRATION

Senator Andrews: My concern is that without an adequate level of funding, the ability of State administrative agencies to carry out their responsibilities will be markedly impaired. When contrasted with the increase in Fiscal Year 1984 funding over that amount appropriated in Fiscal Year 1983, your proposed reduction represents a considerable decrease. How are these programs to operate effectively without an adequate degree of administrative back-up activity?

Answer: Again we believe that the amount requested will provide an adequate level of support for States to meet their administative responsibilities under Chapter 1. The Education Consolidation and Improvement Act streamlined and made less burdensome the applications process and the State monitoring requirements as well as increase flexibility in some of the im-

portant fiscal requirements such as comparability, supplement not supplant, and maintenance of effort. In addition, many of the State responsibilities under Chapter 1 remain unchanged from Title I and those administrative procedures associated with that program have become routine.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAMS

Senator Andrews: The fact that you have not requested funds for the High School Equivalency and College Assistant Programs is based on your assertion that the cost to operate these programs have been excessive. My question to you is what about the level of need -- should this not be an additional consideration and how will these services be made available?

Answer: We believe that the costs of the High School Equivalency Program (HEP) and the College Assistance Migrant Program (CAMP) are excessive relative to the number of students served. In the 1983-84 school year the $7.5 million appropriated for these programs will serve only 3,320 students at a cost to the Federal government of $2,300 each. We do not view these programs as cost-effective especially when other programs which meet similar needs are available at a much lower cost per student.

For example, the Adult Education program, like HEP, provides services to adults to earn a high school equvalency certificate or to enter the job market, but at a much lower cost per student. In recent years the $100 million State-operated adult education program has served about 2.2 million students per year at a Federal cost of roughly $45 per student. At the higher education level Special Programs for the Disadvantaged (Special Service Projects) provide services similar to those provided by CAMP. In the 1983-84 school year the program expects to serve about 150,000 with a Federal contribution of $404 per student.

Questions Submitted by Senator Dale Bumpers

MIGRANT COORDINATION ACTIVITIES

Senator Bumpers: Why is the Department recommending the removal of the $6 million minimum for coordination of migrant education activities?

Answer: The proposal to remove the $6,000,000 minimum set-aside would give the Department more flexibility in placing emphasis on assisting States to provide direct services to migrant children rather than on supporting less essential interintrastate coordination activities.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAMS

Senator Bumpers: Why did the Department fail to request funds for the High School Equivalency and the College Assistance Migrant Programs?

Answer: Both programs are very expensive relative to the number of students seved. In the 1983-84 school year the $7.5

million appropriated for these programs will serve only 3,320 students at a cost to the Federal government of $2,300 each. Other

Federal education programs provide similar services but at a much lower cost. For example, the Adult Education program, like HEP, provides services to adults to earn a high school equivalency certificate or to enter the job market but at a much lower cost per student. In recent years the $100 million State-operated adult education program has served about 2.2 million students per year at a Federal cost of roughly $45 per student. At the higher education level Special Programs for the Disadvantaged (Special Service Projects) provide services similar to those provide by CAMP. In the 1983-84 school year that program expects to serve about 150,000 with a Federal contribution of $404 per student.

CHAPTER 1 MIGRANT EDUCATION

Senator Bumpers: Why is the Department suggesting that the time a child is considered a migrant be changed from five to two years?

Answer: Our proposal to reduce from five to two years the time a formerly migrant child can be deemed migratory reflects our belief that Chapter 1 Migrant education funds should be focused on children whose education has most recently been affected by their migrant status. Program data from the 1983-84 school year indicate that slightly over one-quarter of all children in the program have not moved during the past three years. This raises serious questions about whether children who have not moved after a certain period of time have a legitimate claim for services provided under this program.

This legislative change, which would be phased in over two years, and our 1985 budget request for the Chapter 1 Migrant program would not adversely affect the estimated 431,000 children who would continue to qualify for the program as currently migratory children or as formerly migrant children in their first, second, or third years of eligibility. Federal support for these children would be continued at the current $521 per child level. Those children who no longer qualify for the program after four years, but are still educationally disadvantaged, would continue to be eligible for compensatory education services under the Chapter 1 LEA grant program.

SPECIAL PROGRAMS

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

LOIS A. BOWMAN, ACTING DIRECTOR OF STATE AND LOCAL PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. We will now proceed with the matter of special programs. Mr. Davenport, we will insert your statement in the record at this point.

[The statement follows:]

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Statement of Lawrence F. Davenport

We appreciate this opportunity to appear before you to present the fiscal year 1985 budget request for the Special Programs account. The request for this account totals $778.9 million, an increase of $251 million over the 1984 appropriation. It includes funding for State Block Grants and the Secretary's Discretionary Funds, which are authorized by Chapter 2 of the Education Consolidation and Improvement Act, and it also includes funding for the proposed Science and Mathematics Education program.

Chapter 2 of the Education Consolidation and Improvement Act

Our request for Chapter 2 of ECIA totals $728.9 million, a 52 percent increase of $249.5 million.

During the past year we have seen an awakening of public concern about the need for improvement in our Nation's schools. This has come about largely as the result of studies and reports on the condition of our educational system by a number of concerned groups -- notably among them, the National Commission on Excellence in Education. We believe that, more than any other Federal program, Chapter 2 offers the best opportunity for implementing reforms called for by the Commission. It is for this reason that we are proposing such a sizeable increase -- the largest in the Department's budget.

Most of the Chapter 2 funds flow directly to State governments and local school districts where they may be used to respond directly to State and local needs without Federal interference. At the same time, Chapter 2 provides for a setaside of discretionary funds to be used by the Secretary to address broad national priorities.

State Block Grants

Our request for State Block Grants is $685.7 million, an increase of $235 million over the 1984 appropriation. The State Block Grant program provides funds on a formula basis to States to improve the quality of elementary and secondary education for children in public and private schools. It is focused on general excellence in education, rather than on federally prescribed categorical activities.

This request represents the Department's commitment to helping State and local school officials define and implement their own responses to the recommendations of the Commission on Excellence. It also reaffirms the Administration's determination to provide this type of educational assistance in such a way as to allow maximum flexibility in the expenditure of the funds by those who know best what their needs are.

With a substantial increase in block grant funding, State and local school officials should be able to initiate changes that will have the potential of achieving sweeping educational reform. For example, State governments could design experiments in master teacher teacher programs or reforming teacher certification standards.

Local school officials will also have the means to initiate needed improvements at the local level. These could include changing the length of the school day or year, reforming high school graduation requirements, or establishing inservice training programs for teachers.

At the proposed level, the average State grant will go up from $8.6 million in 1984 to about $13 million, an increase of $4.4 million. The most populous State will receive about $64 million and no State will receive less than $3.4 million.

As you know, Chapter 2 is not yet two years old, and there is a great deal of interest in how well the program is working. Several organizations, including the General Accounting Office, are conducting studies to determine how the funds are being spent and how successful the block grant is as a vehicle for improving elementary and secondary school programs.

At the Department of Education we have initiated a number of activities that should help to inform us all about this new program:

- Between now and the end of the fiscal year my staff will visit 25 States to monitor Chapter 2 programs.

- Case studies, which we began last year in nine States, will continue through 1984. During this second year, case study researchers are continuing to look at State-level activities, but will also examine the effects of Chapter 2 at the local level.

- Our Educational Analysis Center has conducted two short-term studies -- one on the fiscal effects of Chapter 2 in the 28 largest cities and school districts and another on the effects of Chapter 2 on State and local administrative burden. We are planning several additional short-term studies by the Analysis Center on how Chapter 2 funds are being used to serve special groups -- for example, the gifted and talented, and private school children.

- Several regional meetings have been held with both Federal and State funds to give States an opportunity to discuss evaluation strategies and other activities associated with the administration of Chapter 2.

- Last month, the Department sponsored a national meeting attended by Chapter 2 officials from almost every State. These These officials shared ideas with each other as well as with Federal officials on strategies for conducting the mandated State evaluations of Chapter 2.

- In October, the Department awarded a contract to SRI International for a national study of the implementation and effects of Chapter 2 activities at the local level. This study is currently in the design phase. The following year, data will be collected from a sample of 1,000 school districts. Results should be available by the summer of 1985.

Secretary's Discretionary Funds

For the Secretary's Discretionary Funds we are requesting $43.2 million, an increase of $14.4 million over the 1984 appropriation. For the three programs mandated by the Chapter 2 legislation (Inexpensive Book Distribuion, Arts in Education, and Alcohol and Drug Abuse Education) we are proposing $11.6 million. The remaining funds will be used to continue support for the National Diffusion Network and for grants to States and local school districts for planning or demonstrating the implementation of teacher incentive structures. The Secretary is particularly interested in encouraging master teacher proposals developed in collaboration with institutions of higher education.

Inexpensive Book Distribution

For the Inexpensive Book Distribution we are requesting $6,500,000, the same as the 1984 level. One award will be made to Reading is Fundamental, Inc., which will re-distribute funds to about 6,000 local community associations. In 1985, we expect these groups to distribute about 8.2 million books to almost 2.7 million children. More than 100,000 volunteers are expected to participate in the program.

Arts in Education

For Arts in Education, we are requesting $2.1 million, the same as the 1984 level, to continue support for two programs of national significance. One award supports activities of the National Committee, Arts for the Handicapped, to encourage the development of programs that integrate the arts into the general education of disabled children and the lives of disabled adults. The other supports educational programs at the John F. Kennedy Center for the Performing Arts, including programs for children and youth and the American College Theatre Festival.

Alcohol and Drug Abuse Education

For the Alcohol and Drug Abuse Education program we are requesting $3 million, an increase of $150,000 over the 1984 level. This program will continue the school team approach for dealing with alcohol and drug abuse problems. The requested funds will support the network of five regional training centers and a program support center that provides information on team activities at the local level. The increase will enable the program to expand its efforts for dealing with discipline-related problems in the schools.

Other Discretionary Programs

Discretionary funds also provide limited but essential support for other special projects that address national concerns at the elementary and secondary education level.

One major activity is the National Diffusion Network (NDN). For 1985, we will use approximately $10 million to continue the dissemination of locally developed, exemplary educational programs. The majority of the projects in 1985 will be in the areas of mathematics and science, teacher training, and education for the gifted and talented. An estimated 15,000 schools will adopt NDN programs

during the year and approximately 52,000 teachers will be trained. In addition, some funds will be used for an innovative pilot project to identify essential characteristics of effective secondary schools recognized by the Department and to facilitate their adoption by other schools.

Approximately $21.6 million of the funds requested will be used for special initiatives in fiscal year 1985. The majority of these funds will be used for grants for planning and demonstrating master teacher proposals and other activities that address the findings of the Commission on Excellence. The Commission identified improving the quality of teaching through incentives as an urgent, unmet national need. These grants will assist States and localities in developing and implementing plans designed to meet this challenge.

Science and Mathematics Education

Finally, the 1985 budget again includes $50 million for a major initiative proposed in response to the critical need to improve the teaching of science and mathematics in our Nation's schools. The Commission on Excellence recommended that schools strengthen teacher standards, curricula, and graduation requirements in science, mathematics, and computer science. Yet as high school graduation requirements and class enrollments begin to grow, the shortage of qualified teachers will intensify.

Under this proposed program, grants will be awarded to the States on a formula basis to pay part of the cost of training individuals who can become qualified within one year to teach science or mathematics at the high school level. About 10,000 people would be trained each year.

My colleagues and I will be happy to respond to any questions you may have.

Special Programs

Budget Authority by Activity

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1985 Estimate
1. Improving school programs:				
(a) State block grants.....	$450,655,000	$450,655,000	$450,655,000	$685,655,000
(b) Secretary's discretionary funds.....	28,765,000	28,224,000	28,765,000	43,224,000
Subtotal.....	479,420,000	478,879,000	479,420,000	728,879,000
2. Women's educational equity...	5,760,000	---	5,760,000	---
3. Follow through.....	19,440,000	---	14,767,000	---
4. Training and advisory services.....	24,000,000	---	24,000,000	---
5. Territorial assistance:				
(a) General aid to the Virgin Islands.....	1,920,000	---	1,920,000	---
(b) Teacher training.....	960,000	---	1,000,000	---
6. Ellender fellowships.....	3,000,000	---	1,000,000	---
7. Science and mathematics education.....	---	50,000,000	---	50,000,000
Total.....	534,500,000	528,879,000	527,867,000	778,879,000

BUDGET REQUEST

Mr. DAVENPORT. Mr. Chairman, I am going to be changing the cast of characters just briefly. Mr. Bauer will stay. Ms. Bowman will replace Mr. Staehle, and again if I could have the whole statement put in for the record and if I can read a summary statement, I would appreciate it.

Mr. Chairman, we appreciate this opportunity to appear before you to present the 1985 budget request for the special programs account. The request for this account totals $778.9 million, an increase of $251 million over the 1984 appropriation. It includes funding for State block grants and the Secretary's discretionary fund, which are authorized by chapter 2 of the Education Consolidation and Improvement Act, and it also includes funding for the proposed science and mathematics education program.

Our request for chapter 2 of ECIA totals $728.9 million and represents a 52-percent increase of $249.5 million.

During the past year, we have seen an awakening of public concern about the need for improvement in our Nation's schools. This has come about largely as a result of studies and reports on the condition of our educational system by a number of concerned groups—notably among them, the National Commission on Excellence in Education.

We believe that more than any other Federal program, chapter 2 offers the best opportunity for implementing reforms called for by the Commission. It is for this reason that we are proposing such a sizeable increase, the largest in the Department's budget.

Most of the chapter 2 funds flow directly to State governments and local school districts, where they may be used to respond directly to State and local needs without Federal interference. At the same time, chapter 2 provides for a set-aside of discretionary funds totaling $43.2 million, to be used by the Secretary to address broad national priorities. In addition, our budget again includes $50 million for a major initiative proposed in response to the need to improve the teaching of science and mathematics in our Nation's schools.

My colleagues and I would be glad to respond to your questions.

CHICAGO DESEGREGATION CASE

Senator WEICKER. What is the current status of school desegregation litigation in Chicago, and what is the effect the case is having on the Department of Education's fiscal year 1984 appropriations? Are the fiscal year 1984 funds for elementary and secondary education programs still frozen? Have all the fiscal year 1983 funds been released?

Mr. BAUER. Mr. Chairman, we are scheduled to go into a court hearing on March 19 of this year. Unfortunately, the actions that the Congress took in an effort to free up the money that was being frozen in the Department have not been successful to date.

As you remember, Congress in October passed the Yates bill, which appropriated $20 million for the Chicago desegregation program. The design was to release the impounded funds. You provided an amend-

ment that none of the Department of Education funds could be withheld from distribution to the grantees because of the court's order.

Judge Shadur to date has not seen the wisdom of either of these attempts by the Congress to free up the money. We are getting into the situation where we are going to have a problem because in the next 30 to 60 days, a number of the grants for a lot of programs would normally be awarded, but we are still handcuffed in awarding that money.

In fact, so far we still have over $65 million in some very significant programs in 1984 funds that are still frozen, and I can assure you that it is a matter of some deep frustration to the Secretary.

Senator WEICKER. Well, what does the judge want done?

Mr. BAUER. I think we will get some further clarification in the hearing coming up in March. But as you know, Chicago is contending that the commitment they have from the Federal Government involves multimillion dollars over a 5-year period.

We disagree with that contention. We also disagree that the way to approach this is to tie up the funds that are going into significant areas of education reform while this dispute is being settled.

So we are still trying to come up with ways to convince the judge that he is having a negative impact on some of the things that we are trying to do with the Commission on Excellence report.

Senator WEICKER. What portion of the chapter 2 State block grants are being used to provide benefits to private school children and teachers?

Mr. DAVENPORT. Can we submit that for the record, Mr. Chairman? We did not bring that this morning.

[The information follows:]

Until our national study of chapter 2 is completed, we will not have a good estimate of the extent private school children and teachers are participating in chapter 2 programs.

The allocation of funds to States is based on total school-age population—ages 5 to 17—regardless of whether the students attend public or private schools. Within-State allocations are based, in part, on school enrollment in both public and private schools.

School districts are required to provide for equal expenditures for private school children. Technically, therefore, one could estimate that chapter 2 funds are being used for private school children at a rate equal to their proportion of total school enrollment.

CHAPTER 2 FUNDING FOR DESEGREGATION

Senator WEICKER. How much of the chapter 2 block funding in the past few years have been used by the States for desegregation activities?

Mr. BAUER. Mr. Chairman, at this early stage in the block grant programs we do have underway several efforts to get specific breakdowns on how the States are spending the money. In doing that, we don't want to violate the spirit of the block grant program, which, as you know, gives the States a lot of discretion and also frees them from a lot of paperwork.

It is a little early in the process to determine exactly how much of that money is being used for those purposes. We do intend to try to find that out, however, in some of the major studies that we have

scheduled, including one being done by SRI, International, which will give us some data from over 1,000 school districts. We expect to have that information by early fall 1985.

Senator WEICKER. Why do you anticipate that the States will use some of their fiscal year 1985 chapter 2 funding for these kinds of activities, should the Congress agree with your request to eliminate the $24 million civil rights training and advisory program?

Mr. DAVENPORT. Because they have been doing so in the past, Mr. Chairman. Our study of the implementation of chapter 2 in nine States revealed, for example, that in Memphis, Nashville, and Benton Harbor, chapter 2 funds are being used for the same objectives as ESAA grants but are supporting different types of activities, such as remediation.

So the States have been taking a close look at what their priorities are and have begun to address them.

The title IV program does not provide any direct funds to local educational agencies. These are funds to the State departments of education and also some nonprofit or university-based centers which provide technical assistance to school districts.

Chapter 2 funds would allow the school district to directly address its problems and not just receive advice.

SCIENCE AND MATHEMATICS EDUCATION

Senator WEICKER. According to your budget documents on your fiscal year 1985 budget request, a $250 million increase in chapter 2 funds is proposed to help States and localities address concerns cited in the National Commission on Excellence in Education's report.

Since States and localities already appear to be able to use chapter 2 funds for science and math education, why are you proposing a separate categorical authority for this purpose?

Mr. DAVENPORT. They can use chapter 2 funds for that purpose, but there is a significant shortage of professionals in teaching in the math and science areas which needs to be addressed. If we are going to compete successfully with other countries we need to bring up our math and science requirements. There is a significant national interest in this—or I like to put it in terms of a national investment—in making sure that our young people in this country reach a proper level of instruction in science and math.

Senator WEICKER. Why wouldn't it be just as good to include it in the existing block grant and make sure the requirements are there to spend the funds on math and science programs? Why do we have to have this separate fund?

Mr. BAUER. Mr. Chairman, I don't believe we would be negative, if you want to make some move to add some more money to the block grant and add that your intention in doing that is to hope that it would be spent on math and science. Quite frankly, we have not been as successful as we would like to have been in convincing Congress that the block grant approach is a good approach.

There were several efforts underway to frame a rather narrow categorical program in the math and science area, and we were concerned that some of these, which we thought were really inappropriate, would pass. We wanted to show if we were forced to accept a categorical program that a good way to do it is in the program that we submitted.

The $50 million program, as you probably know, has very few strings in it. It does give a great deal of discretion to the States. It is not quite a block grant. But we attempted to make it resemble a block grant as much as possible as far as giving leeway to the States in the way they could use it.

RESEARCH PROJECTS AND STUDIES

Senator WEICKER. In view of the statements in the justification that a majority of the Secretary's fiscal year 1985 discretionary funds would be awarded to States and localities, what reason was there for awarding in the current year over $1 million for research projects and case studies to various national organizations and universities?

Mr. BAUER. Well, certain types of research are often not addressed through some of the other programs that we have.

One of the things, as you know, that the Secretary tries to do is identify areas of need with the limited discretionary money that he does have. Sometimes that involves the money going to projects which are not the kind it normally goes to.

But I think when that happens, the Secretary is trying to address either research needs or some other type of need that he doesn't see being addressed in some of the other programs that we have.

SECRETARY'S DISCRETIONARY FUNDS

Senator WEICKER. Why are Federal grants under the Secretary's discretionary funds being made to national education interest groups, such as the Council of Chief State School Officers, the American Educational Research Association, the National Association for State Boards of Education, and the Council for American Private Education?

Mr. BAUER. We can provide specific justifications, I am sure, for each of those awards. Again, the Secretary, in his discretion, would only give awards to those groups if he could decide that they bring a certain expertise to particular subject matter areas that we are interested in at the Department or to priorities the Secretary has outlined with his discretionary fund.

Senator WEICKER. If the Department can use its own personnel to select exemplary public schools, for example, why was a grant of $370,000 made to the Council for American Private Education to select 50 exemplary private high schools in the United States?

Mr. BAUER. The total amount of resources staffwise and moneywise, that deal directly with private education is relatively limited, and we felt that it was more efficient to use the council that deals with private education. The Secretary did consider using the resources in the Department, but given the other demands we had he did not think that it would be a good thing to do this year.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be other questions to be responded to for the record, and now I would like to move on to impact aid.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

CHICAGO DESEGREGATION CASE

Question: What is the current status of the school desegregation litigation in Chicago and what is the effect the case is having on the Department of Education's FY 1984 appropriations? Are the FY '84 funds for elementary and secondary education programs still "frozen"? Have all the FY '83 funds been released?

Answer: An evidentary hearing before Judge Shadur was completed on April 5. The hearing addressed the extent of the Chicago Board's needs for funding to implement its desegregation program, the extent to which Federal funds are available to meet these needs, and Chicago's claims that the United States has committed further violations of the consent decree by virtue of legislative activities related to the Yates Bill (Sec. 111 of P.L. 98-107) and Weicker Amendment (Sec. 309 of P.L. 98-139). All fiscal year 1984 funds under the Special Programs account that are not earmarked by statute remain enjoined by the Court -- more than $66 million. These funds include those appropriated for Title IV of the Civil Rights Act of 1964, the Follow Through program, the Secretary's Discretionary Funds (other than those activities mandated by statute), Women's Educational Equity, Aid to the Virgin Islands, and Territorial Teacher Training. Also, more than $1 million in fiscal year 1983 funds under Title IV and Follow Through remain enjoined.

Question: What can be done to ensure that funds the Congress has appropriated for specific purposes are not used to satisfy the outcome of the litigation?

Answer: The Department has argued that congressional intent in enacting the Yates Bill and Weicker Amendment was clearly to free up the funds that had been withheld from educational projects throughout the United States, and not to make those funds available for the Chicago desegregation plan. Chicago has conceded that the original version of the Weicker Amendment (which was modified by Senator Weicker at Congressman Yates' request) would have made these funds unavailable for the Board's desegregation plan. Similar language is contained in the Administration's budget request for fiscal year 1985. The Department will continue to argue before the courts that the existing legislation is both constitutional and clean in its intended effect.

Question: When can we expect a final ruling on the Federal Government's liability in this case?

Answer: It is impossible to predict when a final ruling might be expected. It is possible that Judge Shadur will rule within a few weeks. However, appeals may then be necessary, and the appeals may require a substantial period of time. The Executive Branch will continue to seek the release of the impounded funds for their intended purposes without waiting for a final disposition of the dispute between Chicago and the United States.

Question: Should it be determined that the Federal Government must provide additional resources for Chicago desegregation activities, would you seek a supplemental appropriation for such purposes?

Answer: Our position is that the Government's obligation under the consent decree with Chicago applies only to appropriated funds available for Chicago's desegregation program. The consent decree does not require the Executive Branch to seek -- or the Congress to make -- appropriations for Chicago. Under the Constitution, the Court may not order these actions.

CHAPTER 2 BLOCK GRANT: STATE SET-ASIDE

Question: As you know, by law, States may keep up to 20% of their Chapter 2 allocation for administration and other State education activities. On the average, did most of the States take the full or close to the full 20% before passing the funds through to the local school districts for various educational purposes?

Answer: The majority of the States keep the full 20 percent set-aside. Only four States keep less -- Alabama (10 percent); Arizona (10 percent); California (19.5 percent); and Pennsylvania (17.39 percent). Nationally, 19 percent of the total funds available to the 50 States, the District of Columbia, and Puerto Rico has been reserved at the State level.

Question: Do you believe the 20% which the States are entitled to take is too high? Should it be 10%?

Answer: We believe 20 percent is an appropriate level for the State set-aside in this program. We also believe that even with the proposed $250 million increase for 1985, States should still have the option of reserving up to 20 percent for their own use.

In keeping with the block grant philosophy, State uses of Chapter 2 funds are as varied as the educational needs are from State to State. On the average, only about two percent of the funds are being used for administration -- compared with five percent under the antecedent programs. Preliminary indications are that many States are contributing their own resources to administering the program and are using Chapter 2 money to provide direct educational services.

Many States use a portion of their set-aside to foster State priorities through discretionary grants to LEAs, much the way we at the Federal level use our discretionary funds from Chapter 2 to support national priorities.

North Carolina, for example, spends 24 percent of its funds for competitive grants to LEAs in three priority areas: dropout prevention, technology, and teacher performance appraisal. Pennsylvania targets discretionary funds on technology and teacher training. Texas uses a large portion of its funds to help school districts that are desegregating and allocates additional money to regional service centers to work with school districts on the improvement of basic skills.

We have every reasons to believe that States are ready for this increase and would continue to be creative in using these funds to bring about statewide educational reforms.

Question: How much did the States receive for State level activities from the antecedent programs prior to enactment of the block grant?

Answer: Most of the 29 antecedent programs receiving funds in 1981 were not State-administered programs and, therefore, did not provide for State set-asides.

Only three of the 29 were State-administered programs for local school districts -- Title IVB and Title IVC of the Elementary and Secondary Education Act and the Career Education program. In 1981, State educational agencies received almost $12 million in administrative funds from these three programs.

In addition, all the funds under Title V of the Elementary and Secondary Education Act went to State educational agencies for activities at the State level. In 1981, States received $42.1 million in Title V funds.

In contrast to most of the antecedent programs, States have the responsibility of administering the entire block grant program. In addition, the block grant legislation has given States the opportunity to use Federal funds to operate educational programs that meet State needs and priorities.

Question: With the increase in the block grant that you propose, how much will the States be taking for State level activities compared with how much they had received before the block grant?

Answer: If the States continue to reserve a national total of 19 percent, they will retain $129 million to: (1) administer a block grant that consolidated the purposes of 43 categorical programs and (2) operate State priority programs meeting any of the broad purposes of the Act.

The year preceding the block grant, States received about $54.1 million -- $42.1 million for State activities and $12 million to administer three LEA programs.

Question: Approximately what percent of Chapter 2 State activities goes to pay the salaries of State education officials? How does this amount compare with the amount for salaries prior to the enactment of the Chapter 2 block grant?

Answer: We do not have data on the amount of funds used for salaries either under the antecedent programs or under Chapter 2.

Question: Would you support the efforts of the Appropriations Committee should we decide to place a limitation on the amount States may skim off the top of the Chapter 2 block grant?

Answer: We have every reason to believe that States are using their set-aside funds creatively to improve elementary and secondary education. In fact, even though most States currently reserve the entire 20 percent allowable, many end up passing substantial amounts along to local school districts -- through competitive awards or other discretionary procedures to meet statewide needs and priorities.

We would hope that the Congress will continue the current statutory provision that allows States the discretion to reserve an amount up to 20 percent of their block grants.

STATE BLOCK GRANTS

Question: What kind of enforcement problems are being imposed on the Department and the States regarding the requirement to provide equitable services to such individuals?

Answer: To date we are unaware of any enforcement problems. In our on-site program reviews, Department program officers discuss the requirements with the States and determine whether the States are complying with the statute. Program staff have scheduled on-site reviews of 25 SEAs during this fiscal year. The Department's Inspector General is also currently reviewing compliance with this requirement in 10 States.

SECRETARY'S DISCRETIONARY FUND

Question: In view of the statements in the Justifications that a majority of the Secretary's FY 1985 Discretionary Funds would be awarded to States and localities, what reason was there for awarding in the current year over $1 million for research projects and case studies to various national organizations and universities?

Answer: While some of the 1984 funds are being awarded to entities other than State and local educational agencies, elementary and secondary schools will be the ultimate beneficiaries. For example, an award will be made jointly to a national organization and a university for a project to develop training materials for local and State school board members. These materials will be disseminated across the Nation.

In addition, consistent with the 1984 Senate Committee report, about $750,000 will be used for evaluations and studies of the Chapter 2 block grant. These funds are being awarded to national research and evaluation organizations.

Question: Why are Federal grants under the Secretary's Discretionary Funds being made to national education interest groups such as the Council of Chief State School Officers, the American Educational Research Association, the National Association of State Boards of Education, and the Council for American Private Education?

Answer: On March 30, 1983, the Department published a notice in the Federal Register inviting applications for awards under the Secretary's Discretionary Program. The notice invited applications for projects in the areas of expanding parental choice in education, improving teacher quality through incentives, strengthening school boards, or other activities within the purview of the Secretary's Discretionary Program.

The eligible applicants were State and local educational agencies, institutions of higher education, and other public and private agencies, organizations, and institutions. In this competitive

process, each application was read by a panel of experts from both inside and outside the Federal Government. Using published evaluation criteria and procedures, the panels evaluated each application within each category. The scores were averaged and the applications rank-ordered from the highest to the lowest score.

Organizations whose applications were funded were competitively selected for funding under this program because of the activities proposed in their applications. The awards will enable these organizations to:

- o address various recommendations of the National Commission on Excellence in Education,
- o provide information and services to their members concerning these national issues,
- o reach a broad policymaking constituency,
- o respond to the demand for information and services from various education groups,
- o establish national information networks, and
- o multiply the effect of a small amount of funds to address these national concerns.

Question: If the Department can use its own personnel to select exemplary public schools, for example, why was a grant of $370,000 made to the Council for American Private Education to select 50 exemplary private high schools in the United States?

Answer: While the Department staff have provided leadership in the development of criteria for selecting public schools for the Secondary School Recognition program, they do not select the schools. The chief state school officers nominate the schools and a panel of experts choose those to be recognized. The Council for Private Education (CAPE) responded to an unsolicited grant application notice in the Federal Register. The proposal by CAPE was competitively selected for funding by a panel of experts consisting of Federal and non-Federal readers. CAPE was selected for this project since it has the capacity to contact a wide range of private schools.

ALCOHOL AND DRUG ABUSE EDUCATION

Question: How do you evaluate the success of the Alcohol and Drug Abuse Education Program?

Answer: The Alcohol and Drug Abuse Education program has developed an effective methodology -- the school team approach -- for working with local schools to reduce alcohol and drug abuse and other destructive behavior. The Office of Juvenile Justice and Delinquency Prevention evaluated the school team approach and found it very effective in reducing school crime.

The Department has received case studies and abstracts of local programs from schools across the country. These descriptions have documented changes in behavior in schools, communities, and school

systems, including the reduction of alcohol and drug abuse, vandalism, referrals to the principal's office, and suspensions. From these, we have identified exemplary programs which are currently being disseminated. Simultaneously, the program has received hundreds of responses from teachers, principals, superintendents, and parents actively involved in local programs indicating how effective the school team approach has been in reducing alcohol and drug abuse.

Question: If it works well, why are you not proposing more than a 5 percent increase in funds for FY 1985?

Answer: There are many demands on the limited dollars of the Secretary's Discretionary Funds. The $150,000 increase being proposed for the Alcohol and Drug Abuse Education program is sufficient to enable that program to increase its efforts in the area of school discipline.

Question: What percentage of the Nation's school children are served by this program?

Answer: Each year the Alcohol and Drug Abuse Education program reaches about 700,000 school children, which is approximately 1.5 percent of the Nation's 5- to 17-year old population.

Question: Once a school or school district is served, how much additional assistance is needed for follow-up activities?

Answer: Once a school system receives training from the Regional Training Center it is eligible to receive up to two years of follow-up assistance from the program.

Question: How much do the Federal alcohol and drug abuse education funds stimulate contributions in this area of education from non-Federal sources?

Answer: Between January and June 1982, local school teams contributed approximately 83,150 volunteer hours -- 20,525 of which were contributed by parents. Also during the six-month period, the school teams generated $1,400,000 in support from other public and private funding sources. This is a fairly typical six-month period.

ARTS IN EDUCATION

Question: What are your long-range plans with respect to the programs funded by the Arts in Education appropriation?

Answer: Each of the funded programs focuses on making the arts an integral and essential part of the education of all children. This is a building process involving cooperation and collaboration at the national, State, and local level. Each program has made significant progress in building a network involving every State.

Question: Should the Federal Government continue funding them indefinitely?

Answer: We do not anticipate that there will be a need to fund them indefinitely. However, the purposes of the programs are

national in scope and represent an appropriate area for Federal support.

Question: Should it perhaps provide the funds by way of another route, such as through the National Endowment for the Arts? Should it help the programs to obtain private donations?

Answer: The central focus of the two national arts programs is education. It is, therefore, appropriate that they be funded through the Department of Education.

Each of these programs does actively seek and receive support from private sources.

CIVIL RIGHTS TRAINING AND ADVISORY SERVICES

Question: How much of the Chapter 2 block grant funding in the past 2 years has been used by the States for desegregation activities?

Answer: We will not have concrete data on the extent to which States are spending Chapter 2 money for desegregation purposes until the national study is completed. However, we do have some preliminary indications.

State reports on expenditures of LEAs in 33 States estimate that LEAs in those 33 States are spending $13.3 million, or 7.4 percent of their funds, on programs for racially isolated children, desegregation, and civil rights training. In addition, States estimated that they were spending $4.7 million, or 5.6 percent of their Chapter 2 set-aside funds, on these categories.

These figures, however, cannot be taken as the total expenditures under Chapter 2 for programs that alleviate problems associated with desegregation.

We know that ESAA grantees, in addition to implementing desegregation plans, spent ESAA funds on such things as inservice staff training, curriculum development, and community relations. School districts with older desegregation plans reported they had no difficulties implementing desegregation plans but had serious problems with improving educational opportunities for disadvantaged children. Their needs included compensatory education and programs to reduce suspensions, absenteeism, and other disciplinary problems.

It is likely that many States and school districts are using Chapter 2 funds to provide services such as these that are designed to alleviate problems in desegregating school districts. However, if these activities are not identical to those they or other districts were supporting under the ESAA program, they are probably not reporting them in that category. Rather, these desegregation-related activities are probably included in such categories as inservice staff development, teacher training, guidance and counseling, instructional materials, or basic skills development.

Question: Why do you anticipate that the States will use some of their FY 85 Chapter 2 funding for these kinds of activities, should the Congress agree with your request to eliminate the $24 million civil rights training and advisory program?

Answer: A considerable portion of the Chapter 2 funds is being used for programs that can alleviate problems associated with desegregation. However, States are not likely to use Chapter 2 funds for training and advisory services authorized by Title IV of the Civil Rights Act as long as they are receiving categorical funding under that program. Currently, 47 State departments of education plus the District of Columbia and Puerto Rico are receiving a total of $14 million in Title IV funds. In addition, similar advisory services are provided through $10 million in Title IV grants to 40 regional desegregation assistance centers.

Our experience has been that States have assessed their educational needs and planned carefully to target their Chapter 2 funds to meet the most pressing of those needs. To the extent that school districts continue to request these services from the States, the increase we have proposed for Chapter 2 is more than adequate to accommodate those requests.

WOMEN'S EDUCATIONAL EQUITY

Question: Now that the Women's Educational Equity Act program and the Training and Advisory Services program authorized under Title IV of the Civil Rights Act of 1964 are part of the same administrative branch, are any new steps being taken to improve coordination between the two programs?

Answer: As a consequence of the administrative reorganization, section chiefs attend the same branch meetings. At these, they exchange and discuss information of mutual concern. Communication, fundamental to program coordination, has been further enhanced by the relocation of the program offices. Now there is close proximity between them. This move provides additional opportunities for informal discussions, planning, and sharing of ideas beneficial to both programs.

Question: For example, are applicants for grants under one program sometimes advised that they should instead apply under the other?

Answer: The purposes and authorized activities of these two programs are sufficiently different that it is unlikely an applicant would apply under the wrong program. If this did happen, the Department would so advise the applicant.

Question: Are there internal guidelines and checks preventing applicants from receiving sex equity grants from both programs?

Answer: There is nothing in law or regulation which would prevent applicants from receiving grants from both programs if they are eligible and are proposing eligible activities under each program.

However, the Education Department General Administrative Regulations in Section 75.519 specifically prohibit dual compensation: "A grantee may not use its grant to pay a project staff member for time or work for which that staff member is compensated from some other source of funds." Compensation may not exceed 100 percent whether from one or both program grant sources.

Question: In your justification for terminating funding for the Women's Education Equity Act (WEEA), you state that "under the broad authority in the Chapter 2 State Block Grant program, activities currently conducted with WEEA funds can be continued." What specific statutory provision would permit this? Does not the statutory language for Chapter 2 explicitly exclude the Women's Educational Equity Act?

Answer: Chapter 2 specifically excludes the Women's Educational Equity Act (Part C, Title IX of the Elementary and Secondary Education Act) from being repealed and consolidated into the block grant.

However, the purposes of Chapter 2 are very broad. In addition to encompassing the purposes of all the antecedent programs, Section 561(a) states that "It is the further purpose and intent of Congress to financially assist State and local educational agencies to improve elementary and secondary education . . . for children attending both public and private schools."

Currently, almost 75 percent of the WEEA projects are designed to improve education for women and girls at the elementary and secondary levels. These activities are covered by the overall statement of purpose in Section 561(a). They are also covered by a number of the specific authorized activities of the statute. These include, for example, Subchapter A: basic skills; Subchapter B: guidance, counseling, and testing programs; and Subchapter C: career education, programs previously authorized by Section 303 of ESEA Title III, education about the American system of law and its underlying principles, programs to introduce disadvantaged secondary students to the possibilities of careers in the biomedical and medical sciences, gifted and talented programs, and training and advisory services in sex equity.

Question: Would you please describe how the September 1983 reductions-in-force and administrative reorganization have affected the Women's Educational Equity Act program?

Answer: The September 1983 reduction-in-force has resulted in a decrease in the number and grade levels of positions allocated to the WEEA program consistent with the Office of Personnel Management's classification standards and staffing patterns of the Department. As a result of the administrative reorganization, the WEEA program was moved from the immediate office of the Assistant Secretary for Elementary and Secondary Education to the Division of Educational Support of the State and Local Educational Programs. Organizationally, this means that the staffing and reporting relationship of the WEEA program have been brought into balance with that of other programs of similar size and functions.

Question: Is the Women's Educational Equity section currently adequately staffed to carry out its statutory responsibilities?

Answer: Yes, the section is adequately staffed to administer the Women's Educational Equity Act.

TERRITORIAL ASSISTANCE: TEACHER TRAINING

Question: Does the national problem of a shortage of fully qualified science and mathematics teachers extend to the Territories of the U.S.? If so, why should this program not be continued, with funds focused on increasing the supply of qualified science and mathematics teachers?

Answer: The shortage of qualified science and mathematics teachers is a problem for all States and Territories. However, this need would be met through the Administration's proposed Science and Mathematics Teacher Development Bill, which provides for a one percent set-aside for the Territories.

Question: Material in the Justifications implies that a number of teachers in the Territories lack a bachelor's -- or even a 2-year associate's -- degree; is this true? If so, what justification is there for terminating this program designed to meet this special need?

Answer: Information in applications from the Territories indicates that many classroom teachers do lack bachelor's degrees. However, over the past five years the Territories have received $6.7 million for teacher training (including $1 million in fiscal year 1984 funds not yet spent). These funds have enabled them to make progress in upgrading the qualifications of their teachers.

Under our proposal for the Chapter 2 block grant, the Territories will receive $7.3 million in 1985 -- more than they received in the entire five-year history of the teacher training program. The increase alone ($2.5 million) is more than double the 1984 appropriation for the teacher training program. These funds should be more than adequate to enable the Territories to continue teacher training activities.

In addition, the Territories would receive about $500,000 under our proposed science and mathematics legislation.

ASBESTOS IN THE SCHOOLS

Question: If Congress wants to approve funds for asbestos removal under the Asbestos School Hazard Detection and Control Act in FY 1985, how quickly could you make funds available to the school districts?

Answer: Assuming the appropriation language required no change in the existing regulations, we would need about 240 days -- 60 days for preparation and approval of application package and notice-of-closing materials; 60 days for applicants to prepare and submit applications; 60 days for application review and field checks; and 60 days for negotiations and award of loans.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

DISTRIBUTION FORMULA

Senator Proxmire: I understand the Department is drafting regulatory changes to the Chapter 2 block grant program in order to

implement the technical amendments to the Education Consolidation and Improvement Act. The matter of equity has become a very real problem in State distribution of extra Chapter 2 funds to serve the handicapped and other special students. Congress addressed this issue by including language in its Technical Amendments conference report suggesting that extra funds be targeted only to school districts "with the greatest numbers or percentages of high cost children" rather than to school districts "with any number or percentage of such children" as the Department now allows. Will you be revising your regulations and nonregulatory guidelines to give States some guidance on what represents adequate targeting?

Answer: Regulations to implement statutory changes contained in the ECIA technical amendments are currently being developed. No final decisions have been made on the content of the regulations or any accompanying changes that might be made in the nonregulatory guidance.

EDUCATION BLOCK GRANT

Senator Proxmire: Page 87 of the justification states that because of the new block grant program, states and local school districts have regained control over numerous educational activities, while administrative requirements and paperwork have been greatly reduced. Can you tell us what objective evidence you have to support this statement?

Answer: With the publication of the single set of regulations implementing Chapter 2, the Department was able to revoke 30 separate sets of regulations for the categorical progams that were consolidated into the block grant.

The Department's Division of Regulations Management estimated that State and local governments decreased the amount of time spent developing applications by 191,000 person hours and saved an additional 68,390 person hours as a result of the elimination of financial and performance reporting requirements associated with those programs. These decreases in person hours translate into a savings of approximately $1.8 million for State and local governments.

At the same time, State and local school officials have considerably more discretion over how to spend block grant funds than they did over how to spend funds under the antecedent programs.

In a recent survey of a small sample of school administrators, the research firm of Advanced Technology found that Chapter 2 administrators agree that there has been a reduction of administrative burden on local schools, primarily due to simplified application procedures, and that Chapter 2 has transferred more authority to State and local school officials.

EDUCATIONAL TECHNOLOGY - SECRETARY'S DISCRETIONARY FUNDS

Senator Proxmire: The justifications do not make any mention of the use of the Secretary's Discretionary Fund for educational technology -- such as educational television. How much do you plan to allocate next year out of the Discretionary Fund for this kind of activity?

Answer: In fiscal year 1985, the Secretary plans to continue support for three educational technology efforts totalling $2.5 million. Specifically, the Department will transfer $1.0 million to the National Science Foundation to jointly sponsor the development of 20 additional half-hour 3-2-1 CONTACT! programs. The Secretary also plans to use $1.2 million to continue 12 school-based demonstration projects which are applying a variety of the new technologies--interactive videodiscs, microcomputers, television, and microwave telecommunication systems--to improve student achievement in reading, writing, science, and mathematics.

Building upon considerable experience in the use of technology as an instructional tool, these projects will continue to provide assistance to other local school districts that are planning for and implementing classroom applications of technology. We will also use about $300,000 to continue the Tape Storage, Duplication, Distribution, and Captioning program which maintains the utility of a decade's investment in educational television programming.

Senator Proxmire: How does this compare with the amount allocated for educational technology in fiscal year 1983 and 1984?

Answer: In fiscal year 1983, $2.7 million was allocated for educational technology; in fiscal year 1984, $1.3 million. The fiscal year 1983 allocation supported the following types of activities:

- o Tape Storage, Duplication, Distribution, and Captioning ($300,000) - The $100 million worth of previously produced children's television programs are made available through this contract.

- o State Leadership Assistance for Technology in Education ($249,965) - Twelve additional workshops, for a total of 20, were conducted to assist State educational and legislative leaders in developing policy and implementation strategies for the application of technology in school programs.

- o Continued Development of 3-2-1 CONTACT! programs ($500,000) - The balance of the 65 half-hour programs in Season II were developed through joint funding by the Department of Eduation and the National Science Foundation.

- o Demonstrations of Improving Education through the Application of Technology ($1,560,318) - Twelve geographically dispersed, school-based projects were funded to demonstrate the use of technology to improve instruction and learning in reading, writing, mathematics, and science.

- o Regional Technology Grants ($100,000) - Several small projects were supported through the Department's Regional Offices to meet unique regional needs in educational applications of technology.

The fiscal year 1984 funds will support the continuation of the Tape Storage, Duplication, Distribution and Captioning service project ($300,000), and the jointly developed 20 additional 3-2-1 CONCTACT! half-hour science programs ($1.0 million).

In addition to these activities, a number of television series funded in previous years at a total of $17.8 million were aired on the Public Broadcasting Service for the first time.

Senator Proximire: What's the level of funding planned next year for the 3-2-1 Contact! show and how does that compare with the amounts provided in fiscal year 1983 and fiscal year 1984?

Answer: In fiscal year 1985, $1.0 million will be allocated for 3-2-1 CONTACT!. This is the same as the 1984 level and $500,000 more than the allocation for 1983.

LOCAL BLOCK GRANT ACTIVITIES

Senator Proxmire: You want to increase Chapter 2 State block grants by $235 million over the current appropriation so that, according to the justifications, and I quote: "State and local officials can initiate changes that will have the potential of achieving sweeping educational reform." The justifications then list some of the reforms which schools could initiate such as (1) upgrading high school graduation requirements; (2) teacher training; (3) master teacher projects; and (4) incentive grants to school districts making a special effort to institute educational reforms. I just wonder how many of these sweeping reforms are actually underway at the local level, given the information you provided last year. Based on data provided by 33 States, you reported that local school districts were using 47 percent of their allocation for activities such as school library resources, textbooks, and equipment while only 15 percent was actually utilized for improving educational practices and only 4 percent went towards teacher training. Do you have any more current statistics to suggest that local school districts are targeting these funds on educational reforms?

Answer: The information submitted by the 33 States represents the only data we currently have with which to estimate how Chapter 2 funds are being used on a national basis. Although these reports give a broader view than anecdotal information, the data are limited in that they are tied to the general subchapter categories in the statute. They are also often force fit to correspond to individual antecedent programs and, therefore, might not adequately reflect what the school districts are actually doing.

However, we also have a growing amount of information from our nine-State study and from informal reports to show that States and school districts are making very good use of their Chapter 2 funds. We know, for example, that State and local school officials are very enthusiastic about the block grant. We know that one school district is using Chapter 2 to combat illiteracy problems at the junior high school level. And we know that several school districts are using Chapter 2 funds in ways they believe are more responsive to needs associated with desegregation than the programs they ran with their ESAA grants.

We are also getting informal reports from States that show another, promising trend. Chapter 2 is seen by the States as a very appropriate source for helping school districts upgrade their instructional technology capabilities. A Chapter 2 expenditure for computer equipment often acts as a lever to foster commitment of other school resources for long-lasting educational improvement --

for example, for staff development or institutionalization of new or upgraded courses in science or mathematics.

The State of Louisiana has conducted preliminary evaluations in four school districts that committed a large part of their Chapter 2 funds to computer activities. In each district, funds are being used to supplement and expand broader instructional resources. While Chapter 2 purchased the equipment, local resources were used for inservice teacher training and for integrating data management and computer assisted instruction with the general instructional goals of the school system. All the plans were initiated locally, yet available revenues were not sufficient to implement them without Chapter 2 support.

Further, as the budget justification points out, there are several other sources which are providing valuable information. These include monitoring reviews of the administration of Chapter 2 in 25 States; several studies that are in process or have been completed; and the national evaluation which got underway in December, 1983.

All of the information we have reviewed so far and all of the discussions we have had with school officials convince us that increased funds in the Chapter 2 program will be used to bring about important educational improvements.

Senator Proxmire: Based on past performance, isn't it extremely optimistic to think that the increased Chapter 2 funds you are requesting will be used on educational reform?

Answer: We have no doubt that State and local educational agencies will be able to use these funds effectively. Reports by the National Commission on Excellence in Education and other groups have focused public attention on the need for school reform. There is a great deal of activity already underway. Many States have responded by introducing measures in their State legislatures to bring about changes such as career ladders for teachers and increased standards for high school graduation. Most State and local school officials know what kinds of reforms they would like to bring about, and there will be a considerable amount of public pressure on them to apply the increased funds to those reforms that are most needed.

IMPACT AID

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

MARK R. LEVIN, DEPUTY ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. We will now move on to impact aid. As I said before, we will insert your statement in the record before you proceed.

[The statement follows:]

Statement of Lawrence F. Davenport

We appreciate this opportunity to appear before you to discuss the 1985 appropriation request for Impact Aid. The President's Budget contains a request of $506.6 million for Impact Aid program activities under Public Law 81-874. We believe this request continues support for the correct Impact Aid policy of focusing limited available Federal support on the school districts that are most adversely affected by Federal activities.

This request includes $496.6 million for Maintenance and Operations activities under Sections 2 and 3 and $10 million for Section 7, Disaster Assistance. The 1985 request is $78.4 million less than the 1984 appropriation. Most of this decrease is due to the expiration of the authorization for payments under Section 3(b). In keeping with the policy of focusing Federal aid on those school districts that are the most heavily burdened by the presence of Federal activities, payments will be made at an increased level to those districts which enroll students whose parents both live and work on Federal property, and thus do not provide local tax revenues.

Maintenance and Operations

Of the $496.6 million requested for Maintenance and Operations, $476.6 million is proposed for making payments under Section 3(a), for children who reside and whose parents work on Federal property or are on active duty in the uniformed services. This level of funding exceeds the 1984 appropriation

for such payments by $19 million, or 4 percent. In 1985, the formula for making payments under this section will remain the same as in 1984. That is, payments to the heavily impacted "Super a" districts, those districts whose 3(a) children make up 20 percent or more of their average daily attendance, will be at 100 percent of entitlement. The exception to this level of funding would be for payments on behalf of the children who reside in federally subsidized, low-rent housing, which will be made at 15 percent of entitlement.

Payments to non-"Super a" districts, those with 3(a) children amounting to less than 20 percent of their total average daily attendance, would be prorated from full entitlement to the level allowed by the remaining funds. The current estimate is that payments would amount to approximately 65 percent of entitlement for these districts. Again, payments for low-rent housing children would be lower--prorated from 15 percent of entitlement.

We expect to make Section 3(a) payments to approximately 1,300 districts in 1985 under this proposal, of which about 330 are "Super a" districts.

No funds are requested for payments on behalf of 3(b) children, who reside, or whose parents work on Federal property or are in the uniformed services. Our request implements congressional policy which eliminates the authorization for this activity at the end of fiscal year 1984. We continue to believe that these children do not represent a genuine burden to their school districts. In the majority of cases, their parents contribute to the local and State

tax base from which educational services provided to the children are funded.

In 1985, the Department proposes to earmark $15 million of the total available for Section 3 payments to cover additional sums to be paid to districts eligible under Section 3(d)(2)(B). These are districts that are particularly heavily burdened by the presence of federally connected children that meet specific criteria in the program statute, and that do not have sufficient funds to provide a level of education comparable to similar districts in their State. In line with the termination of payments for "b" children, the budget includes a proposal to limit 3(d)(2)(B) eligibility and payments to "a" children only. Section 3(b) children will not be counted for eligibility and or/payments under Section 3(d)(2)(B) in 1985.

The $20 million requested for Section 2 will result in payments of approximately 95 percent of entitlement in 1985. Full entitlement is expected to be slightly more than the authorized appropriation ceiling of $20 million. We estimate that Section 2 payments will be made to about 290 school districts which have suffered a partial loss of tax base, totalling 10 percent or more of assessed value, due to the acquisition since 1938 of real property by the United States Government. These payments are not tied to the presence of federally connected children in the district. In fact, approximately 200 districts that receive Section 2 payments do not receive payments for federally connected children because they either have no such children or they have too few to meet the program's basic eligibility criteria.

Disaster Assistance

The 1985 budget request for Disaster Assistance is $10 million, the authorized ceiling for appropriations. Also, we request that unobligated 1984 funds for this activity remain available for use in 1985. The combination of these funds should be sufficient to meet the needs for Disaster Assistance in 1985. Because the level of funds required for this activity fluctuates greatly from year to year, the budget proposal includes a request that 1985 funds remain available until expended. It is the intention of the Department to request that this extended availability become a permanent policy change for Disaster Assistance funds.

In 1985, we propose to continue the policy first adopted in 1981 of raising the threshold of eligibility for major disaster assistance. This threshold would be $10,000 or 5 percent of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred, whichever is less. The threshold contained in the program law is no longer reasonable in view of changes in inflation, construction costs, and administrative expenses since it was enacted.

Construction

No Construction funds are requested in 1985 because of the high level of funding for this program over the last two years. A total of $100 million was appropriated in 1983 and 1984 for Construction activities, resulting in the funding of many more projects than had been anticipated. Approximately 80 projects are expected to be

completed with funds from those two years, including many urgently needed facilities that had been on the waiting list for several years.

A clear Federal responsibility under this program is the funding of Section 10 projects, which are direct Federal activities in instances where State and local funds are not available. In the event emergency repairs are required for federally owned Section 10 buildings in 1985, funds and authority which have been given to the Department of Defense since 1983 could be utilized. This would be appropriate since most Section 10 buildings are associated with military activities.

My colleagues and I will be happy to respond to any questions you may have.

Impact Aid

Budget Authority by Activity

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1985 Estimate
1. Maintenance and operations:				
(a) Payments for "a" children.....	$390,000,000	$446,000,000	$457,500,000	$476,630,000
(b) Payments for "b" children.....	45,000,000	---	7[illegible],500,000	---
(c) Special provisions (Section 2).....	15,000,000	9,000,000	2[illegible],000,000	20,000,000
Subtotal.....	450,000,000	455,000,000	55[illegible],000,000	496,630,000
2. Disaster assistance.....	10,000,000	---	1[illegible],000,000	10,000,000
Subtotal.....	460,000,000	455,000,000	56[illegible],000,000	506,630,000
3. Construction.....	80,000,000	---	2[illegible],000,000	---
Total.....	540,000,000	455,000,000	58[illegible],000,000	506,630,000

BUDGET REQUEST

Mr. DAVENPORT. Mr. Chairman, joining us is Mark Levin, Deputy Assistant Secretary for Elementary and Secondary Education. We would like to present a summary statement.

Mr. Chairman and members of the committee, we appreciate this opportunity to appear before you to discuss the 1985 appropriation request for impact aid. The President's budget contains a request of $506.6 million for impact aid program activities under Public Law 81-874. We believe this request contains support for the school districts that are most adversely affected by Federal activities.

This request includes $496.6 million for maintenance and operations activities under sections 2 and 3 and $10 million for section 7, disaster assistance. The 1985 request is $78.4 million less than the 1984 appropriation. Most of this decrease is due to the expiration of the authorization for payments under section 3(b).

In keeping with the policy of focusing Federal aid on those school districts that are the most heavily burdened by the presence of Federal activities, we are requesting $476.6 million, an increase of $19 million, for section 3(a). Payments will be made at an increased level to those districts which enroll students whose parents both live and work on Federal property and thus do not provide local tax revenues.

Under section 2, for those school districts which have suffered a partial loss of tax base, due to acquisition of real property by the U.S. Government, we are requesting $20 million, the authorized level.

Our request for disaster assistance is also the authorized level of $10 million. In addition, we are requesting that unobligated 1984 funds for this activity remain available for use in 1985.

No construction funds are being requested in 1985 because of the significant level of funding for this program over the last 2 years. A total of $100 million was appropriated in 1983 and 1984 for construction activities, resulting in the funding of many more projects than had been anticipated.

My colleagues and I will be glad to respond to any questions.

EFFECTS OF RIF/REORGANIZATION

Senator WEICKER. It is my understanding that during the last RIF/reorganization 6 of the 12 professional analysts within the Impact Aid Office were either transferred or terminated. It appears that the limited number of experienced staff members greatly contributed to the delay in processing preliminary payments, to the difficulty in conducting on-site reviews necessary for processing section 2 payments properly, to the delay in making 3(d)2(b) payment analyses, and to the inability to put people in the field to verify enrollment statistics, to name a few of the problems.

What action do you intend to take to overcome the lack of qualified staff in order to avoid the potential crippling of the entire program?

I might add that I have another question on this issue because our committee is getting bombarded by complaints by the States regarding

the delay in receiving preliminary payments. This matter was also raised by Senator Burdick at hearings the other day.

Mr. DAVENPORT. I wanted to make sure when you said this, Mr. Chairman, that I was correct in what my response was going to be.

Those people that were moved were not in field operations. The field operations staff—which we can provide the total for the record—has conducted, in the last 2 years since I have been the Assistant Secretary for Elementary and Secondary Education, more field visits and reviews than have occurred in this program since 1978, or even before. I can tell you for sure that the records do go back to 1978.

All the people are quaiified in the impact aid area—and I question those that may say otherwise—I don't know quite what they are talking about. All the people meet the criteria that are being held.

The second part is that the actual problem was a computer difficulty, which took some time to correct. After that correction was made, the payments were then sent out very rapidly through our computer system, working with the Treasury. Those payments were actually made very, very quickly.

In some cases they received them—if I can remember correctly, I got one letter that I remember where they received it some 2 weeks later than they normally would have expected it. Others have received it in some different timeframe, but the major difficulty was a computer problem.

Mr. LEVIN. For 1983, Mr. Chairman, the preliminary payments—75 percent of the 1982 payments—were made on November 1, 1982, and for 1984 they were made on November 10, 1983. So it is not that significant a delay.

Senator WEICKER. Well, I am advised that, although more than 300 districts had requested preliminary payments, less than 100 had received them within the mandated 30 days.

How does that jive with what you are doing?

Mr. DAVENPORT. If you compared it to what actually happened—and as I said, the computer difficulty—in the past, they are pretty much——

Senator WEICKER. I understand that alphabetical order was the criterion used to determine which States would be paid first.

Mr. DAVENPORT. Yes; that is the way the computer is set up.

Senator WEICKER. Have these problems been corrected? Where do we sit with it now?

Mr. LEVIN. The computer is working. Right now we are getting the payments out.

But you mean if it breaks down again in the future?

Senator WEICKER. No; I am saying, is the delay still in operation here?

Mr. DAVENPORT. No, sir. All those payments have been made. The preliminary payments which have not been made were not scheduled at this time to be made and will be made pretty much on our internal schedule. They will be consistent with last year.

Mr. LEVIN. I might add, for one district where we had a problem, we were prepared to process a payment by hand, and we were prepared to do others, too, until the computer was fixed.

SCHOOL CONSTRUCTION FUNDS

Senator WEICKER. Public Law 81–815 authorizes assistance to school districts for school construction in Federally affected areas under certain specified conditions. I understand that there is a tremendous backlog of projects to be funded, especially under sections 5 and 14. Yet, the administration's fiscal year 1985 budget proposes no funds for this program.

I want to have a list provided, by State, of the facilities pending within each section.

What is your latest estimate of the amount which would be required to fund the current backlog of renovation projects for each of the authorized purposes under the impact aid, Public Law 81–815 construction program?

Mr. DAVENPORT. The total overall estimate when we spoke to you 1 year ago, was $300 million, and this year it is for over $200 million. The difference is the increased funds that have been appropriated by the Congress over the last 2 years of $100 million.

I want to keep cautioning people that these are estimates. Once we actually get the funds, we go out and look at the school district and then check the list against what they are actually trying to submit.

There would be a significant reduction, and some of these facilities may not still be needed today because there have been other changes that have occurred over the years. Some of these school buildings may not have been used; some may have been absorbed and consolidated into other districts.

So there is no real hard figure that we could provide you with, but just say that it is roughly about that in total.

I would just caution you that these are estimates.

Mr. BAUER. Mr. Chairman, as you remember, we also saved an additional $60 million under the jobs bill, which enabled us to do a lot of projects which had not previously been scheduled to be completed by now or started by now. So we are in better shape in that regard than we were when we were last here before you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. There are further questions for response for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CONSTRUCTION

Question: P.L. 81-815 authorizes assistance to school districts for school construction in federally affected areas under certain specified conditions. It is our understanding that there is a tremendous backlog of projects to be funded, especially under sections 5 and 14. Yet, the Administation's FY 1985 budget proposal requests no funds for this program.

What is your latest estimate of the amount which would be required to fund the current backlog of renovation projects for each of the authorized purposes under the Impact Aid, P.L. 81-815, construction program?

Answer: After fiscal year 1984 projects are funded, there will be requests for approximately $260 million for construction projects on the waiting lists. Approximately $195 million of this amount is for requests for grants by school districts that serve children residing on Indian lands (Sections 14(a) and 14(b)). The remaining requests totaling $65 million are under Sections 5 and 14(c). Past experience with these requests leads us to believe that this estimated total is higher than actual requirements. However, actual grant amounts cannot be determined until site visits have been conducted, State school construction requirements are reviewed, and pupil data are known for the year funding will be available.

Question: Please provide us a list, by State, of the facilities now pending within each section.

Answer: The following are listings of the facilities now pending within sections 5 and 14(c) and sections 14(a) and 14(b):

FY 1984

U. S. DEPARTMENT OF EDUCATION
Office of Elementary and Secondary Education
Division of Impact Aid - School Construction Branch
Washington, D.C. 20202-6272

ORDER OF PRIORITY INDICES AND ESTIMATED FUNDS NEEDED

Public Law 81-815 - Sections 5 and 14(c)

Application Number	Applicant	Priority 1/ Sec. 5	Priority 1/ Sec. 14(c)	Initial Estimated Entitlement
NC 84-C-3301	Swain County Bd. of Ed.		116.8 T	$ 7,500,000
ID 83-C-501	Lapwai S.D. #341		*109.4 T	1,800,000
AZ 84-C-509	Grand Canyon Unified S.D. #4		105.6 T	2,235,367
MO-83-C-3302	Carter Co. R-I S.D.		61.6 T	2,100,000
CA 84-C-1301	Eastern Sierra Unified S.D.		** 46.2 T	2,200,000
CA 84-C-1301	Eastern Sierra Unified S.D.	** 37.0 T		666,526
SD 84-C-504	Dupree S.D. #64	*** 30.2 T		361,600
CA 83-C-3301	Lucerne Valley Union E.S.D.		16.8 T	4,127,500

1/ "T" denotes tentative processing only.

Application Number	Applicant	Priority[1] Sec. 5	Priority[1] Sec. 14(c)	Initial Estimated Entitlement
ID 83-C-5	Blackfoot S.D. #55		* 16.2 T	2,377,000
SD 84-C-504	Dupree S.D. #64		*** 16.2 T	1,296,000
MT 72-C-803	Great Falls H.S.D.	10.0		397,453
IL 69-C-1604	Lincoln-Way H.S.D. #210, New Lenox	9.9		53,550
CA 70-C-50	Indian Wells Valley Jt. U.S.D.	9.8		96,300
MD 70-C-3	Bd. of Ed., Anne Arundel Co. (Waiver)	9.8		3,689,940
AZ 71-C-1901	Snowflake U.H.S.D. #60	9.6		34,279
FL 69-C-3	Bay County Bd. of Ed.	9.6		549,349
UT 83-C-3301	Wayne County S.D. **	9.5 T		113,608
VA 73-C-7	City of Hampton S.D.	8.8 T		1,633,372
WI 71-C-1001	Jt. S.D. #1, Bayfield	8.8 T		54,571
CA 70-C-623	Ocean View S.D.	8.6		120,910
CA 72-C-608	Poway Unif. S.D.	8.5		627,200
NE 79-C-801	Papillion S.D. #27	8.0 T		378,568
AL 69-C-11	Enterprise City Bd. of Ed.	7.8		127,429
CA 70-C-608	Poway Unified S.D.	7.8		234,330
NV 83-C-603	Clark County S.D. (Waiver requested)	7.6 T		353,320
AK 72-C-401	Alaska State Op. Schools	7.5 T		2,024,250
IL 71-C-12	Comm. Cons. S.D. #70, Freeburg	7.4 T		41,170
IL 69-C-1601	Bradley-Bourbonnais Comm. H.S.D.	7.4		57,375
IL 69-C-1701	E.S.D. #96, Romeoville	7.4		143,055
TX 69-C-1504	Medina Valley I.S.D.	7.4		32,450
CA 71-C-246	San Francisco U.S.D. (Treasure Island Waiver)	7.0		85,918
MO 68-C-1601	Ft. Zumwalt S.D., O'Fallon	7.0		76,380
GA 81-C-502	Camden Co. Bd. of Ed.	6.8		161,952
TX 68-C-61	Del Valle I.S.D.	6.8		53,200
CA 72-C-815	Lemoore U.H.S.D.	6.6		44,100
PA 70-C-603	Pocono Mt. S.D., Swiftwater	6.6		52,875
VA 78-C-13	Stafford Co. Schools	6.5 T		535,050
MS 70-C-202	Long Beach Municipal Sep. S.D.	6.1		76,125
CA 69-C-203	Oceanside-Carlsbad U.S.D.	5.6		145,825
MO 69-C-805	Raymore-Peculiar S.D R-II	5.6		18,000
CO 69-C-12	Harrison S.D. #2	5.0		305,670
NC 68-C-1	Craven County Bd. of Ed.	5.0		130,455
AL 70-C-11	Enterprise City Bd. of Ed.	4.5		137,385
MI 69-C-416	Rudyard Twp. S.D. #11	4.4		110,736

Application Number	Applicant	Priority 1/ Sec. 5	Priority 1/ Sec. 14(c)	Initial Estimated Entitlement
MD 69-C-7	Bd. of Ed., St. Mary's County	4.2		287,300
FL 69-C-7	Okaloosa Bd. of Pub. Instr.	4.0		163,666
KS 68-C-1602	Cons. Unif. S.D. #101, Erie	3.9		20,770
NV 69-C-603	Clark Co. S.D., Las Vegas	3.8		954,169
NV 77-C-603	Clark County S.D. (Waiver)	3.6 T		115,900
NV 72-C-601	Churchill County S.D.	3.4		89,300
CA 70-C-203	Oceanside-Carlsbad U.Y.S.D.	3.4		73,723
NV 68-C-603	Clark Co. S.D.	3.4		809,396
OK 72-C-13	Moore I.S.D.	3.2		121,555
OK 69-C-13	Moore I.S.D.	3.0		71,340
CA 69-C-246	San Francisco U.S.D. (Waiver)	2.8		35,376
CA 72-C-246	San Francisco (Presidio Waiver Area)	1.8		27,930
ID 69-C-1201	I.S.D. No. 1, Lewiscon	1.8		38,500
UT 83-C-3301	Wayne County S.D.		** 1.8 T	468,000
TX 71-C-61	Del Valle I.S.D.	1.4		39,900
CA 71-C-203	Oceanside-Carlsbad U.H.S.D.	1.0		54,264
CA 82-C-3001	Silver Valley Unif. S.D.	(26.1) T		1,102,710
AZ 74-C-502	Palominas Comm. S.D. #49	(16.0)		41,000
LA 71-C-901	Bossier Parish Sch. Bd.	(15.1) T		375,920
GA 83-C-502	Camden Co. Bd. of Ed.	(14.7) T		1,336,433
IL 75-C-201	Community H.S.D. #123	(14.6) T		775,184
CO 70-C-1801	Summit S.D. Re-1, Frisco	(13.0)		60,175
CA 68-C-707	Center Jt. S.D., North Highland	(12.5)		61,560
CA 71-C-1502	Washington Union S.D.	(11.9)		55,930
IL 69-C-1707	Okawville E.S.D.#46	(11.6)		20,655
OK 67-C-1507	South Rock Creek D.S.D. #32	(11.3)		13,570
AK 69-C-1	Kodiak Island Borough S.D.	(10.9)		482,220
TX 69-C-64	Northside I.S.D., San Antonio	(10.4)		492,060
CA 83-C-34	Oceanside Unif. S.D.		(8.8) T	4,946,516
IL 68-C-1603	Joliet Township H.S.D. #204	(8.1)		18,330
AZ 71-C-506	Litchfield S.D. #79	(8.0)		56,440
TX 68-C-1502	Crowley I.S.D.	(7.6)		30,240
MD 69-C-8	Bd. of Ed., Prince George's Co.	(7.3)		1,468,000
VA 71-C-13	Stafford County Schools	(7.3)		364,665
CA 79-C-11	Monterey Peninsula U.S.D.	(6.8) T		2,085,300
IL 68-C-1602	Homer Comm. Cons. S.D. #33-C	(6.8)		16,215
OH 68-C-508	Pickerington I.S.D.	(6.3)		9,520

Application Number	Applicant	Priority 1/ Sec. 5	Priority 1/ Sec. 14(c)	Initial Estimated Entitlement
IL 69-C-1708	Bourbonnais E.S.D. #53	(6.2)		58,905
CT 70-C-406	Town of Ledyard S.D.	(6.1)		134,085
CA 69-C-815	LeMoore U.H.S.D.	(5.9)		56,280
CA 68-C-1602	Arena U.E.S.D., Point Arena	(5.8)		35,739
MI 84-C-3301	Big Bay-DeNoc	(5.8) T		200,500
MS 68-C-202	Long Beach Municipal Sep. S.D.	(5.7)		57,550
VA 67-C-3	Fairfax County Sch. Bd.	(4.9)		3,000,000
MD 67-C-8	Bd. of Ed., Prince George's Co.	(4.7)		4,402,000
NY 67-C-1501	U.F.S.D. #3, Brookhaven	(4.7)		130,410
WA 67-C-1202	Waitsburg Jt. S.D. #401-10	(4.7)		15,700
OH 69-C-1701	North Olmsted City Schools	(4.5)		23,700
MO 67-C-1502	S.D. of Marshall	(4.4)		56,115
WI 70-C-1802	Unif. S.D. #1, Ashland	(4.4)		140,940
TX 67-C-80	Burleson I.S.D.	(4.3)		50,140
CT 67-C-604	Town of Monroe S.D.	(4.0)		87,360
MD 70-C-7	Bd. of Ed., St. Mary's Co.	(4.0)		382,700
WA 67-C-1301	Dayton S.D. #2	(3.9)		28,772
KS 67-C-803	Shawnee Mission U.S.D. #512	(3.8)		69,600
NJ 67-C-1201	Bd. of Ed., Evesham Township	(3.8)		67,890
RI 70-C-101	Newport School Dept.	(3.6)		287,280
NM 69-C-402	Gallup-McKinley Co. Bd. of Ed.	(3.5)		409,981
MN 70-C-12	I.S.D. #115, Cass Lake	(3.4)		55,575
AK 67-C-1402	Greater Juneau Boro. S.D.	(3.3)		118,720
WA 68-C-4	Clover Park S.D. #400	(3.3)		785,317
KY 67-C-4	Hardin County Bd. of Ed.	(3.2)		135,660
LA 71-C-1	Bossier Parish Sch. Bd.	(2.9) T		404,928
MD 69-C-1	Bd. of Ed., Hartford County	(2.3)		546,550
MD 67-C-1	Bd. of Ed., Hartford County	(2.2)		413,600
IL 70-C-201	Comm. H.S.D. #123, W. Chicago	(1.7)		16,905
CA 67-C-1304	Manteca U.S.D.	(1.0)		206,000
MI 72-C-2001	Watersmeet Township S.D.	(.9)		4,864

* Applicant also tentatively eligible and listed by Section 14(a)/(b) priority.

** Applicant also tentatively eligible and listed by Both Sections 5 and 14(c) priorities.

*** Applicant also tentatively eligible and listed by Sections 5, 14(a)/(b), and 14(c) priorities.

ADDENDUM

P.L. 81-815 priority lists - FY 1984

The following applications, filed for FY 1984 funding considerations, have been either (1) determined to be tentatively ineligible; or (2) identified as lacking sufficient information on which to base a tentative processing.

AZ 83-C-404	Chinle Public S.D. #24
CA 83-C-32	Fallbrook Union S.D.
CA 84-C-406	Morongo Unified S.D.
KY 83-C-3301	Edmonston County Bd. of Ed.
LA 83-C-602	Vernon Parish School Bd.
LA 83-C-3301	Sabine Parish School Bd.
ME 83-C-201	Brunswick School Committee
ME 83-C-601	Winter Harbor School Dept.
MI 83-C-604	Gwinn Area Com. S.D.
MI 84-C-3302	Iron Mountain Public Schools
MO 83-C-3301	Eminence R-I Schools
NE 83-C-801	Papillion S.D.
NV 83-C-603	Clark County S.D.
NJ 83-C-7	North Hanover Township S.D.
NJ 83-C-9	Pemberton Township S.D.
NJ 84-C-3301	West N.Y. Bd. of Ed.
NM 83-C-402	Gallup-McKinley Bd. of Ed.
NY 83-C-804	Highland Falls-Ft. Montgomery S.D.
NY 84-C-3301	Middle Island C.S.D.
NC 83-C-4	Cumberland Co. Bd. of Ed.
ND 84-C-501	Grand Forks Public S.D. #1
TX 83-C-3301	Hamshire-Fannett I.S.D.
VA 84-C-5	York County School Bd.
VA 83-C-2901	Bath Co. School Board
WA 83-C-3	North Kitsap S.D.
WA 83-C-4	Clover Park S.D. #400

FY 1984

U. S. DEPARTMENT OF EDUCATION
Office of Elementary and Secondary Education
Division of Impact Aid - School Construction Branch
Washington, D.C. 20202-6272

ORDER OF PRIORITY INDICES AND ESTIMATED FUNDS NEEDED

Public Law 81-815 - Sections 14(a) and 14(b)
(Children residing on Indian Lands)

Application Number	Applicant	Priority Tent.	Priority Firm	Applicant's Initial Est.
ND 83-C-1301	Fort Yates Public S.D. #4		128.2	$ 3,000,000
WA 78-C-602	Wellpinit S.D. #49		117.4	5,000,000
AZ 82-C-404	Chinle S.D. #24 (Waiver)		113.0	21,000,000
AZ 76-C-516	Window Rock Elementary S.D. #8		88.5	15,232,000
AZ 76-C-1001	Ganado Elementary S.D. #19		82.4	6,890,000
AZ 74-C-517	Indian Oasis S.D.		80.3	5,748,749
AK 75-C-5002	Craig City S.D.	79.2		1,850,000
MN 75-C-403	I.S.D. #707, Nett Lake	78.9		1,426,000
SD 84-C-504	Dupree S.D. #64	77.7*		1,296,000
MT 82-C-1801	Harlem H.S. Dist. #12	77.6		3,315,000
SD 81-C-507	White River S.D. #47-1		74.2	1,500,000
SD 81-C-1801	Waubay I.S.D.		72.0	4,691,600
AZ 80-C-702	Tuba City Unified S.D. #15		71.4	3,500,000
NM 77-C-411	Tularosa Municipal S.D. #4	69.4		3,000,000
NM 78-C-802	Magdelena Municipal S.D. #12	68.9		500,000
OK 80-C-2801	North Rock Creek D-10 S.D.	64.1		155,000
AK 76-C-1102	Hydaburg Public Schools	62.2		4,685,868
NM 79-C-402	Gallup-McKinley Co. S.D. (Waiver)	62.2		14,550,000
AZ 71-C-805	Union E.S.D. #62		61.6	117,000
NM 81-C-2901	Zuni Public S.D.	60.6		2,500,000
NM 76-C-4	Espanola Municipal S.D. (San Juan Waiver Area)	59.6		882,000
MT 79-C-13	S.D. #6, Lame Deer	59.0		10,430,130
NM 77-C-512	Jemez Springs Municipal S.D.	56.0		1,600,000
OK 75-C-5002	Oaks Mission S.D.	55.7		200,000
SD 74-C-3001	West River I.S.D. #18 (Waiver)		55.6	400,000
MT 78-C-8	E.S.D. #12, Harlem	54.0		900,000
MT 76-C-14	E.S.D. #9, Browning	53.5		7,753,480
NM 77-C-406	Grants Municipal S.D. #3 (Waiver)	52.4		2,832,500
MT 76-C-3001	E.S.D. #28, St. Ignatius		52.1	1,139,377
MT 75-C-410	E.S.D. #17-H, Hardin		51.4	1,680,000

Application Number	Applicant	Priority Tent.	Priority Firm	Applicant's Initial Est.
AK 75-C-5003	Dillingham City S.D.	50.8		2,500,000
ID 83-C-501	Lapwai S.D. #341	47.2**		1,800,000
AZ 73-C-14	Northern Yuma Co. U.H.S.D.		45.9	415,600
SD 71-C-502	East Charles Mix S.D. #102		45.8	1,000,000
AZ 81-C-1102	Rice S.D. #20	45.6		2,500,000
OK 76-C-437	Salina S.D.	42.9		350,000
AZ 77-C-28	Puerco U.S.D. #18		40.9	10,000,000
OK 73-C-3001	Pleasant Grove I.S.D. #5		37.4	109,358
UT 76-C-401	Uintah S.D., Vernal	37.0		916,000
NM 79-C-401	I.S.D. #22, Kirtland	35.7		10,000,000
CA 80-C-9001	South Fork Union S.D.	34.6		650,000
WA 71-C-25	Clallam County S.D.		32.2	667,705
OK 75-C-601	Little Axe S.D.	30.3		130,000
ID 77-C-1202	Western Benewah S.D. #42	29.8		90,000
MT 82-C-7	Ronan S.D. #30	29.2		1,585,800
NM 77-C-407	Bernalillo Bd. of Ed.	27.1		1,480,000
NM 75-C-412	Bloomfield Municipal S.D.	26.2		872,000
SD 76-C-6001	Lyman Co. S.D. #12		22.6	950,000
NM 76-C-603	Los Lunas Cons. S.D.	22.2		475,000
KS 78-C-1802	U.S.D. #3, Mayetta	22.0		3,711,500
MT 76-C-7	E.S.D. #30, Ronan		20.0	1,300,000
OK 76-C-1103	Pocola S.D.	19.7		365,750
MN 75-C-5001	I.S.D. #435, Waubun	18.1		30,000
WA 77-C-32	Granger S.D. #204	17.0		412,500
SD 81-C-2901	Winner S.D. #59-2	16.8		980,000
OK 76-C-911	Checotah I.S.D. #19	16.2		300,000
MI 75-C-5001	Bark River-Harris S.D.	15.9		250,000
NC 79-C-9001	Graham Co. School Board	15.0		5,750,000
IA 69-C-1701	C.S.D., South Tama County		13.8	219,800
WA 71-C-44	Wapato S.D. #207		13.5	456,750
OR 76-C-13	Jefferson Co. S.D.	13.1		281,000
AZ 77-C-901	Laveen S.D.		12.2	2,000,000
NM 75-C-9	Pojoaque Valley I.S.D.	12.1		634,653
CA 71-C-619	Bishop Union S.D.		12.0	102,690
OK 76-C-5001	Falls S.D. #31	11.1		260,000
ID 83-C-5	Blackfoot S.D. #55	11.0**		2,377,000
AZ 72-C-414	Tuba City E.S.D.		10.8	1,638,750

Application Number	Applicant	Priority Tent.	Priority Firm	Applicant's Initial Est.
NM 75-C-602	Taos Municipal S.D. #1	9.8		1,038,300
NM 77-C-402	Gallup-McKinley Co. S.D. (Tse Bonito Waiver Area)	8.0		1,660,000
CA 82-C-516	Alpine Union S.D.	6.6		1,667,000
OK 76-C-6003	Broken Bow S.D.	2.7		420,000
	SUBPRIORITY ORDER OF ZERO PRIORITY APPLICATIONS -- () denotes Subpriority			
AK 78-C-6001	North Slope Borough S.D. (Atkasook Waiver Area)	(100.0)		$ 3,150,000
AK 78-C-6001	N. Slope Borough S.D. (Kaktovik Waiver Area)	(100.0)		183,575
AK 78-C-6001	North Slope Borough S.D. (Wainwright Waiver Area)	(100.0)		183,575
WA 75-C-67	LaConner S.D. #311	(78.7)		525,000
WY 69-C-403	Mill Creek S.D. #14	(75.5)		42,000
WA 76-C-1902	Mt. Adams S.D. #209		(53.2)	450,000
NV 69-C-701	Elko County S.D.		(43.7)	107,000
WA 77-C-25	Cape Flattery S.D. #401	(29.9)		1,181,380
NM 75-C-513	Cuba I.S.D.	(28.8)		1,000,000
SD 76-C-701	McLaughlin I.S.D. #21	(25.8)		223,630
ND 74-C-503	New Town S.D. #1		(22.4)	163,761
WA 82-C-3001	Wilbur S.D. #200	(15.4)		1,526,400
AZ 77-C-604	Gila Bend U.S.D.	(14.5)		750,000
MT 73-C-3002	H.S.D. #28, St. Ignatius		(13.8)	592,240
MI 73-C-2001	Watersmeet Twp. S.D.	(13.6)		122,500
AK 76-C-1601	Yakutat City S.D.		(7.7)	1,250,000
CA 79-C-1301	Eastern Sierra U.S.D.	(3.7)		1,500,000
WA 70-C-56	Marysville S.D.		(2.8)	286,900
CA 71-C-530	San Pasqual Valley U.S.D.		(0.6)	200,000
NV 69-C-404	Humboldt Co. S.D.		(0.1)	231,000

* Applicant also tentatively eligible and listed by Sections 5 and 14(c) priorities.

** Applicant also tentatively eligible and listed by Section 14(c) priority.

ADDENDUM

P.L. 81-815 priority lists - FY 1984

The following applications, filed for FY 1984 funding considerations, have been either (1) determined to be tentatively ineligible; or (2) identified as lacking sufficient information on which to base a tentative processing.

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LA 83-C-602	Vernon Parish School Bd.
LA 83-C-3301	Sabine Parish School Bd.
ME 83-C-201	Brunswick School Committee
ME 83-C-601	Winter Harbor School Dept.
MI 83-C-604	Gwinn Area Com. S.D.
MI 84-C-3302	Iron Mountain Public Schools
MO 83-C-3301	Eminence R-I Schools
NE 83-C-801	Papillion S.D.
NV 83-C-603	Clark County S.D.
NJ 83-C-7	North Hanover Township S.D.
NJ 83-C-9	Pemberton Township S.D.
NJ 84-C-3301	West N.Y. Bd. of Ed.
NM 83-C-402	Gallup-McKinley Bd. of Ed.
NY 83-C-804	Highland Falls-Ft. Montgomery S.D.
NY 84-C-3301	Middle Island C.S.D.
NC 83-C-4	Cumberland Co. Bd. of Ed.
ND 84-C-501	Grand Forks Public S.D. #1
TX 83-C-3301	Hamshire-Fannett I.S.D.
VA 84-C-5	York County School Bd.
VA 83-C-2901	Bath Co. School Board
WA 83-C-3	North Kitsap S.D.
WA 83-C-4	Clover Park S.D. #400

COMPARABLE DISTRICTS

Question: It is my understanding that the Department is now reviewing possible changes in the way that Impact Aid payments are calculated for the 20 States which utilize individually selected comparable districts.

Have you made any determinations as yet regarding what changes will be made and when you will make them?

Answer: The Department is recommending a change in policy for determining local contribution rates, which are used to compute payments for all districts. The public was notified of this proposed change through the publication of a Notice of Proposed Rulemaking in the Federal Register on March 30, 1984. A period during which comments are invited will run through May 14. When all comments have been reviewed and appropriate changes have been made in the proposed regulations, a decision will be made on the effective date.

The Department is recommending changes to the rate policy because questions have been raised about one of the current methods, and the Department is presently engaged in several lawsuits concerning the current policy.

Questions: Since federally impacted and local education agencies rely on funds appropriated during FY 1984 to carry out their 1983-84 education programs, when do you intend to let these districts know what rate of payment they may expect to receive for the current fiscal year?

Answer: Districts can expect to be notified in late Spring, approximately the same time as in previous years, what their final rates will be for this year's payments. In the meantime, payments continue to be made, based on the rate guaranteed by the program statute.

PRELIMINARY PAYMENTS

Question: The Subcommittee has received many complaints from States about the delay in receiving preliminary payments. Since the Impact Aid program is current-funded and the law mandates that these payments are to be made in a timely manner -- within the first 30 days of the beginning of the fiscal year -- great hardship for many school districts results when these payments are not made expeditiously. I am advised that although more than 300 districts had requested preliminary payments, less than 100 districts had received these payments within the mandated 30 days. In addition, I understand that alphabetical order was the criteria used to determine which States would be paid first.

Isn't there a more equitable way to determine which States receive preliminary payments, since States at the end of the alphabet are unjustly penalized under the current system?

Answer: The Division of Impact Aid processes requests for preliminary payments in the order in which they are received. Actual payments are made by computer. The computer payment system processes alphabetically by State, paying all requests until funds are exhausted.

Question: What action is the Department taking to ensure speedier disbursement of these payments?

Answer: The Department will make a concerted effort to speed up the processing of preliminary payments in the future.

Question: What method is in place to provide reimbursement for expenses incurred by those districts which were forced to

borrow money early in the school year to cover costs until they received their preliminary payment?

Answer: There is no provision in the Impact Aid statute or regulations which would allow the Department to reimburse districts for expenses incurred as a result of a loan taken out to cover costs until an Impact Aid payment was received.

RIF/REORGANIZATION

Question: It is my understanding that during the latest RIF/reorganization, six of the twelve professional analysts within the Impact Aid office were either transferred or their employment was terminated. It appears that the limited number of experienced staff members greatly contributed to the delay in processing preliminary payments, to the difficulty in conducting the on-site reviews necessary for processing section 2 payments promptly, to the delay in making 3(d)(2)(B) payment analyses, and to the inability to put people in the field to verify enrollment statistics, to name a few of the problems.

What action do you intend to take to overcome the lack of qualified staff in order to avoid the potential crippling of the entire program?

Answer: Seven analysts are currently assigned to the School Assistance Branch of the Division of Impact Aid. All but one of these analysts have been assigned to this branch for several years.

To improve efficiency in processing applications, modifications in the automated data processing system have been implemented. Generally, applications can be processed within 72 hours of receipt. Fiscal year 1984 payments are being made in accordance with the schedule followed in prior years, although it should be noted that the appropriations language specifies more complex formulas than were applied in recent years.

An intensified travel plan was implemented in fiscal year 1983 and is being continued in fiscal year 1984. Over 900 site visits were accomplished in 1983, and 1,100 are scheduled for 1984.

Questions Submitted by Senator Mark Andrews

SCHOOL CONSTRUCTION FUNDS

Senator Andrews: As you know, the impact aid program was designed to operate as an entitlement program. Yet, under your proposal, no funds would be appropriated for construction purposes. However, I'd like to call your attention to certain cases, one which I am aware of in my own State of North Dakota, where civilian schools have been responsible for educating federally-connected schoolchildren, specifically those categorized as "a's", for years. The nearby military installations from whence these children come have no intention of building on-base schools. My concern is that without Federal funding for construction, these school districts are -- and will continue to be -- impacted by Federal activity and they haven't got a prayer for obtaining any governmental assistance.

How are we to expect these schools to meet the needs of their current enrollments in the absence of this type of Federal support?

Answer: School districts like the one described here receive maintenance and operations funds under Section 3 of the Impact Aid program to help operate their schools.

No funds are requested for construction activities for 1985 because of the unexpectedly high level of funding for this program in fiscal years 1983 and 1984. A total of $100 million was appropriated in those two years rather than the authorized level of $20 million per year. Many more projects than had been anticipated were able to be funded.

Choices had to be made among a number of programs for funding in 1985, and decisions were made to give priority to other programs in the Department which had not received the benefit of such high funding in recent years. Funds will be requested for construction activities in the future. Applications for funding of construction projects remain on a waiting list in priority order, as long as they continue to meet eligibility criteria, until funds become available.

Questions Submitted by Senator Alfonse M. D'Amato

LEVEL OF IMPACT AID PROVIDED

Senator D'Amato: Please explain how the Department of Education ascertains whether it is providing sufficient aid to school districts in federally impacted areas?

Answer: Impact Aid funds are distributed to local school districts according to the level of funding provided by and the formula contained in the annual appropriations legislation passed by the Congress.

ELIGIBILITY FOR "Super a" STATUS

Senator D'Amato: Why was the impact aid formula set at 20% enrollment for Super A eligibility, rather than some other enrollment percentage?

Answer: The level of enrollment of "a" children required for "Super a" eligibility was established by the Congress in the authorizing legislation for the program. It was lowered from 25 percent "a" children to 20 percent "a" children in 1980.

PAYMENTS UNDER SECTION 2

Senator D'Amato: Why is there a lack of priority funding for school districts that have severe land impaction?

Answer: A separate activity of the Impact Aid program responds to the needs of these districts.

Section 2 of P.L. 81-874 authorizes payments to local educational agencies where the assessed value of real property acquired by the Federal Government since 1938 equalled ten percent or more

of the assessed valuation of all real property in the district at the time or times the Federal property was acquired. The district must demonstrate that such acquisition places a substantial and continued financial burden on the local educational agency.

Senator D'Amato: What will the Department do for schools that are doubly impacted, enrollment and land impaction?

Answer: The Department will fund such local educational agencies to the maximum extent allowed by the authorizing and appropriations legislation from available funds under both Sections 2 and 3 of the program.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will now stand in recess until 9 a.m., Tuesday, March 20, when we will convene in this room to hear testimony on the administration's proposed budget for student financial assistance and higher education programs.

[Whereupon, at 10:10 a.m., Friday, March 16, the subcommittee was recessed, to reconvene at 9 a.m., Tuesday, March 20.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 20, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Proxmire, and Chiles.

DEPARTMENT OF EDUCATION

POSTSECONDARY EDUCATION

STATEMENT OF DR. EDWARD M. ELMENDORF, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:

SALLY KIRKGASLER, DIRECTOR OFFICE OF POLICY DEVELOPMENT FOR THE OFFICE OF POSTSECONDARY EDUCATION

DR. RONALD KIMBERLING, DEPUTY ASSISTANT SECRETARY FOR HIGHER EDUCATION PROGRAMS

GARY L. BAUER, DEPUTY UNDERSECRETARY FOR PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENTS

Senator WEICKER. The subcommittee will come to order.

This morning we're pleased to have with us the Assistant Secretary for Postsecondary Education, Dr. Edward Elmendorf, to testify on all the student financial assistance and higher education programs.

Dr. Elmendorf, if you would introduce your colleagues that are with you for the student aid portion of the hearing and then proceed as you wish.

All statements this morning will be included in their entirety in the record.

[The statement follows:]

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Statement of Edward M. Elmendorf

It is a pleasure to be here to present our budget request for the Student Financial Assistance account. Our budget request for fiscal year 1985 is $3,654,000,000--a major commitment of Federal resources for student aid.

The Administration is again proposing a major philosophical reorientation of the Federal student aid programs designed to restore the traditional roles of parents and students as the parties primarily responsible for meeting the costs of postsecondary education. Our proposed distribution of funds among the Federal student financial assistance programs reflects this philosophy. In addition, in keeping with the Federal objective of equalizing opportunity for a postsecondary education, our 1985 budget request targets Federal student aid funds on the neediest students.

To implement this philosophy, a restructured Pell Self-help Grant program is proposed for funding at $2,800,000,000--the same amount that is available for fiscal year 1984. Under the Pell Self-help Grant proposal students may qualify for grants up to $3,000 per year, a substantial increase over the current $1,900 maximum. A student will be expected to contribute a minimum of $500 or 40 percent of the cost of education as a condition for receiving a Self-help Grant. The student's expected self-help contribution can be met from any resource other than student aid grants administered by the Department of Education.

To assist students in meeting their self-help contribution, an expanded Work-Study program is proposed for funding at $850,000,000--an increase of $295,000,000 over the 1984 appropriation for this program. Institutions will be provided with additional flexibility by permitting them to transfer up to 50 percent of their Work-Study allocation to the Supplemental Grant program to accommodate individual student circumstances.

With the same philosophy of the self-help tradition in meeting postsecondary education costs, we are again proposing a tax incentive measure to encourage low- and middle-income families to save for their children's education. Families would be able to invest up to $1,000 per year in an Education Savings Account with interest and dividends being exempt from Federal income taxes. This type of program would make savings more attractive to low- and middle-income families while contributing to economic growth.

Pell Self-help Grants

The focal point of our Federal student aid proposal is the restructured Pell Self-help Grant program. Our goal of restoring the responsibility of the family and the student in financing post-secondary education costs will be accomplished by: requiring a financial commitment by the student toward meeting the cost of post-secondary education through a self-help expectation and requiring increased family contributions for families with positive discretionary income.

Funds will be targeted to the neediest students by more equitable award rules and by making grant assistance more sensitive to

educational costs, thus providing students with greater access and choice in the selection of a postsecondary institution.

The restructured Pell Self-help Grant program is proposed for full funding at $2.8 billion. This request will provide nearly 2.3 million students with average grants of $1,220. Administrative payments of $5 per Pell Self-help Grant recipients will continue to be made to institutions for administrative expenses.

The revised Pell Self-help Grant program offers the following advantages over the current Pell Grant program:

-- The increase in the maximum award from $1,900 to $3,000 will ensure that needy students have greater choice in the selection of a postsecondary institution. Awards will also be more sensitive to educational costs thereby providing additional grant assistance to students attending moderate and high cost institutions.

-- For the first time, the family's expected contribution (EFC) will be taken into account in all award rules (it is not currently included in the half-cost limit). This will eliminate the inequity that currently exists in the Pell Grant program whereby students with different financial resources attending the same cost institution receive equal awards. This provision will also preserve Federal grant assistance for the neediest students.

-- The requirement that students contribute financially to their own educational costs will re-establish the principle that those who are the primary beneficiaries of higher education should demonstrate a commitment toward financing its costs. Currently, it is possible for certain students to finance their postsecondary education through a combination of a Pell Grant and family contribution with no personal financial commitment.

-- A uniform and more realistic living allowance is proposed of $1,500 for students living with their parents, and up to $3,000 for students not living with their parents. This allowance is in addition to actual tuition and fees charged by the institution. An allowance ceiling will make living expenses more uniform and thereby treat all students equally.

Work-Study

Consistent with our principle of self-help, a greatly expanded Work-Study program is proposed for which we are requesting $850 million for fiscal year 1985. This request represents a substantial increase of $295 million (or 53 percent) over the amount appropriated for this program in fiscal year 1984. The expanded Work-Study program will provide 1,205,000 students--an increase of 335,000 students--with employment opportunities which will assist them in meeting their self-help expectation. The average earnings of about $800 will enable hundreds of thousands of students to more than meet their minimum self-help expectation.

In addition to a substantial increase in funding, the Administration is proposing the following legislative amendments which are designed to expand program activities and increase institutional flexibility in the use of Work-Study funds:

-- Under our proposal, institutions will be permitted to transfer up to 50 percent of their Work-Study allocations to the Supplemental Grant program. This will provide substantial grant dollars to eligible students. It also serves as a complement to our self-help initiative by ensuring the availability of additional grant assistance and by providing institutions with the discretion to package financial aid according to the particular needs of their students.

-- Institutions will be given additional flexibility of using up to $100,000 of their Work-Study allocations to support Job Location and Development activities, to establish and operate Cooperative Education programs, and/or develop programs designed to combat adult illiteracy, thus integrating all Department of Education student work programs under one authority.

Direct Loans

The Direct Loan program will continue to play an important role in the overall budget strategy for student financial assistance. While no new Federal capital is requested for the National Direct Student Loan (NDSL) program for fiscal year 1985, approximately $585,131,000 will be available for new loans from repayments to institutional revolving funds. We estimate that under our fiscal year 1985 policy, approximately 731,400 students will receive Direct Loans averaging $800. This will enable many students, who are unable to secure small loans from commercial banks under the Guaranteed Student Loan program, to meet their self-help expectation.

The Administration is requesting that the interest rate on Direct Loans be increased from 5 percent to 8 percent to make it consistent with the Guaranteed Student Loan program.

We are also requesting $4,000,000 for Teacher Cancellations to reimburse the institutional revolving fund for the institutional share of loan cancellations, instead of the full loan principal. This restores the cancellation repayment policy which was in effect prior to 1972.

Supplemental Grants

The Administration is not requesting a direct appropriation for the Supplemental Educational Opportunity Grant (SEOG) program for fiscal year 1985. The Pell Self-Help Grant proposal will not only accomplish the primary purpose of the SEOG program--that of expanding institutional choice for needy students--but will also benefit students at a larger number of institutions and will provide a more equitable distribution of awards among needy students. It should be noted that the SEOG authority will be retained to allow institutions the discretion for transfer of up to 50 percent of their Work-Study funds. While the Department would prefer that

Work-Study funds support student earnings, the transfer authority is available for special circumstances to assist in completing the financial aid package of a needy student. Should all institutions use the maximum allowance to award Supplemental Grants, $425 million would be available as grants. This represents a $50 million increase over the amount appropriated for SEOG in fiscal year 1984.

For institutions which award Supplemental grants, the maximum Federal grant award would be limited such that the sum of the Pell Self-help Grant, the Supplemental grant, and the expected family contribution cannot exceed an annual ceiling of the lesser of $4,500 or 60 percent of the cost of attendance. Currently, Federal grant assistance is limited to $3,900 (Pell Grant of $1,900 and SEOG of $2,000). This ceiling ensures the integrity of the self-help concept inherent in the overall student aid strategy for 1985 and at the same time provides substantial assistance for the neediest students.

State Student Incentive Grants

No Federal funding is requested for the State Student Incentive Grant program for fiscal year 1985. The goal of the program--that of stimulating all States to provide need-based grants to post-secondary students--has been accomplished. All States now have grant programs with most States considerably overmatching the Federal contribution. For example, of 46 jurisdictions which overmatched Federal funds, 37 provided at least 75 percent more need-based grant aid than was required to match the Federal contribution. Also, more than $1 billion in State grant assistance was available in fiscal year 1983. State expenditures have continued to expand even as Federal funding has declined or remained the same level. This suggests a considerable State level commitment regardless of Federal funding and indicates that a Federal stimulant is no longer necessary.

In total, our 1985 budget request will generate approximately $11,893,000,000 in aid to students, an increase of $80 million over the amount available in fiscal year 1984. Our proposals have been carefully designed to maintain the historic Federal commitment to removing financial barriers to postsecondary education, while simplifying the Federal student assistance programs, providing greater equity in awards, and restoring the traditional role of parent and student contributions.

1984 Supplemental

I would also like to remind the Committee of a technical 1984 Supplemental Request. Inadvertently, $10 million was appropriated for Work-Study and Supplemental Grants under the Higher Education account. We request that the Congress transfer that amount to the Student Financial Assistance account.

I or my colleagues will be pleased to respond to any questions members of the Committee may have on our 1985 budget request.

Biography of Edward M. Elmendorf

POSITION	:	Assistant Secretary for Postsecondary Education
BIRTHPLACE AND DATE	:	Oneonta, New York, August 1, 1939
EDUCATION	:	Hartwick College, Oneonta, New York, 1961, B.A. Springfield College, Springfield, Mass., 1966, M.A. University of Massachusetts (Amherst), 1975, Ph.D.
EXPERIENCE	:	
PRESENT	:	Assistant Secretary for Postsecondary Education
1981 - 1982	:	Deputy Assistant Secretary for Student Financial Assistance
1974 - 1981	:	President, Johnson State College, Vermont Appointed in 1974 by the Vermont State Colleges' Board of Trustees as the chief executive officer and institutional spokesman
1973 - 1974	:	Vice President for Administration Acting President, January to June, 1974, Johnson State College, Vermont
1972 - 1973	:	Doctoral Candidate, University of Massachusetts
1966 - 1972	:	Dean of Admissions, Financial Aid and Housing Assistant to the President, Director of Summer Sessions, Johnson State College, Vermont
1965 - 1966	:	Graduate Assistant, Counseling Center, Springfield College, Springfield, Massachusetts
1961 - 1965	:	U.S. Naval Reserve, Lieutenant
ASSOCIATION MEMBERSHIP	:	Elected President - Vermont Higher Education Council of Presidents, 1976-1977
		Elected Vermont State Representative - American Association of State Colleges and Universities (AASCU), 1977-1980
		Elected Vermont State Representative - American College Testing Program (ACT), 1973-1981
		Elected New England Personnel and Guidance Association Board of Directors, 1971-1973

Student Financial Assistance

Budget Authority by Activity

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1984 President's Revised Estimate	1985 Estimate
1. Pell Self-help grants....	$2,419,040,000	$2,663,800,000	$2,800,000,000	$2,800,000,000	$2,800,000,000
2. Supplemental opportunity grants.....	355,400,000	---	370,000,000	370,000,000	--- 1/
3. Work-study/Cooperative education.....	$590,000,000	$850,000,000	550,000,000	550,000,000	850,000,000
4. Direct loans:					
(1) Federal capital contribution.....	178,560,000	---	161,060,000	161,060,000	---
(2) Teacher cancellation.....	14,800,000	4,000,000	19,800,000	19,800,000	4,000,000
5. State student incentive grants.....	60,000,000	---	76,000,000	76,000,000	---
Total.....	3,617,800,000	3,517,800,000	3,976,860,000	3,986,860,000	3,654,000,000

1/ Authority is requested to allow institutions to use up to 50 percent of their Work-Study allocation for Supplemental Grants.

NOTES

2 and 3. The 1984 revised estimate includes $5 million for Supplemental Grants and $5 million for Work-Study inadvertently appropriated under Higher Education in Public Law 98-151.

INTRODUCTION OF ASSOCIATES

Dr. ELMENDORF. Good morning, Mr. Chairman. I have with me this morning, on my right, Ms. Sally Kirkgasler who is Director of the policy development staff in the Office of Postsecondary Education and Dr. Ronald Kimberling, Deputy Assistant Secretary for Higher Education Programs. I have on my left Deputy Under Secretary Gary Bauer, who heads the Office of Planning, Budget, and Evaluation in the Department of Education.

OVERVIEW OF STUDENT AID

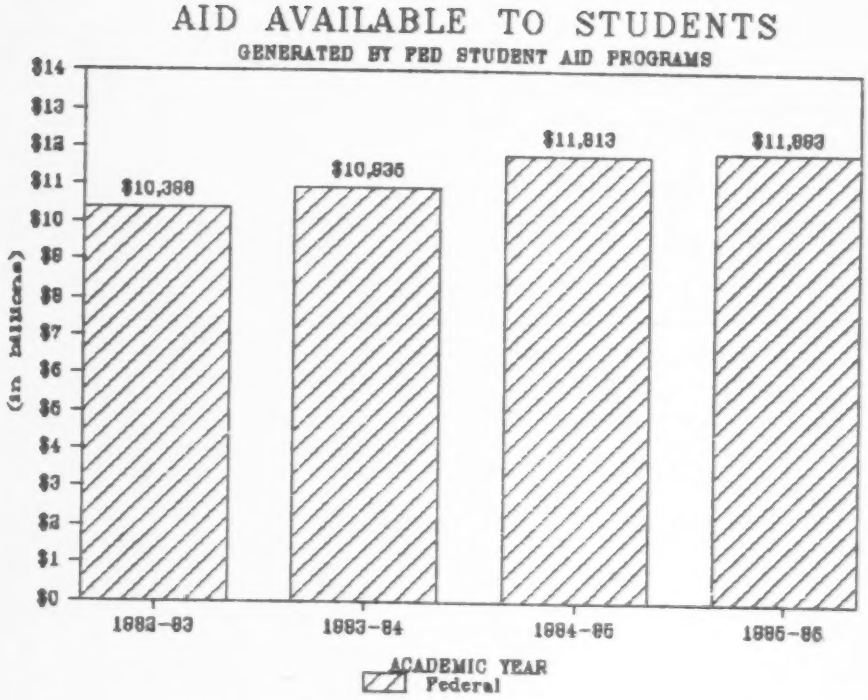
I ask that you accept my written testimony for the record, and I will give you an overview and try to cover the major points.

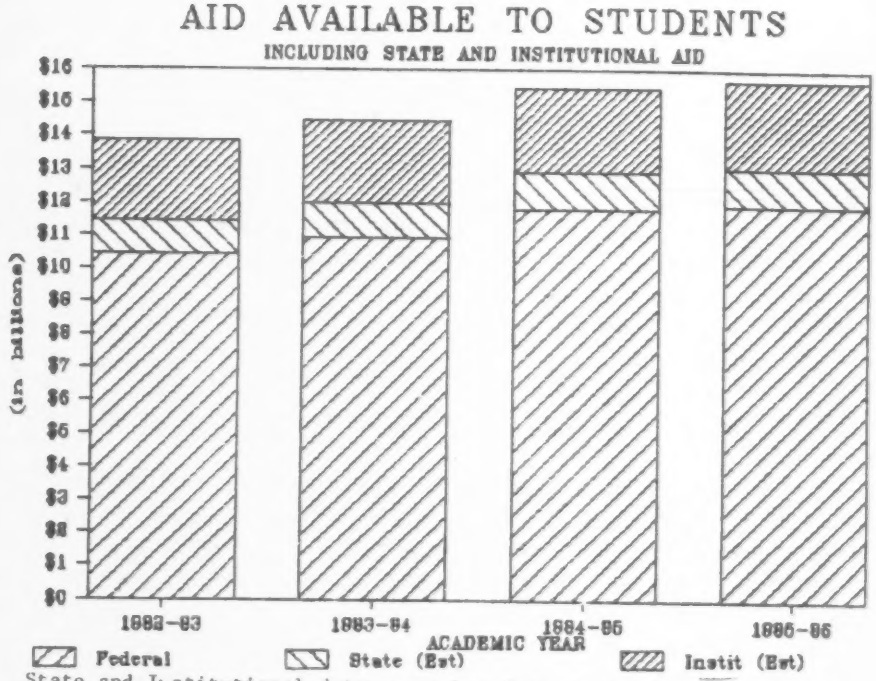
Senator WEICKER. All right.

Dr. ELMENDORF. Thank you.

To begin with, let me give you a chart that illustrates what I'll be saying about the amount of aid that's available through our student aid programs this year.

[The information follows:]





State and Institutional data was taken from the College Board study entitled Trends in Student Aid: 1963 to 1983 and inflated for fiscal years 1984 and 1985.

FEDERALLY GENERATED AID

Dr. ELMENDORF. We have, at the top of this chart, the total amount of federally generated aid; that is, aid that is the result of an appropriation at the Federal Government level.

You can see that, as far as our request is concerned, there is a rising trend for 1984–85. The bottom of the chart distinguishes the amount of total student financial aid available. That aid approaches almost $16 billion for about 12 million enrolled students, almost half of whom receive student aid.

The story here is that enrollments have tapered off or increased only slightly, while student aid continues to grow.

Our proposals for the student aid accounts are premised on the basic philosophy that we have continued for 3 years now. It calls for an increasing role for the family that restores responsibilities for financing the cost of college. A second principle built into our proposals is that of cost sharing.

We believe that State agencies and lenders as well as parents ought to participate in sharing the burden of college costs. We have made a very specific point of targeting the available student aid such that the lowest income students continue to get the highest proportion of funds available.

One of our newer proposals is to give a greater flexibility to institutions of higher education in moving around the money we give them so that they can better balance the packaging of student aid to best serve the students at their institutions.

PELL GRANTS

Our student aid proposals begin with the Pell grant proposal, which is the largest proposal for grant money in the student financial assistance account. We're proposing $2.8 billion, the same amount as in fiscal year 1984. We estimate the number of recipients to be 2.3 million, down from 2.6 million.

The average grant would increase from $1,073 to $1,221. We're proposing an increase—and this is a very signficant part of our proposals—in the maximum grant from $1,900 to $3,000. Eighty percent of the funds being requested would go to students who come from families earning $12,000 or less.

We would also institute a self-help requirement for a minimum contribution from the student of $500 or 40 percent of cost, whichever is greater, in order that the cost-sharing principle might be invoked. We have made our proposals tuition-sensitive so that students who are now locked into attending low-cost institutions have a choice, an opportunity if you will, to go to a higher cost institution and have a greater proportion of costs paid for by grant moneys—rather than necessarily having to borrow or having to work for those funds.

There are inequities in the current program that we believe our proposals will mitigate—inequities that allow students from families with different financial resources to receive the same award.

We have proposed a uniform and higher living allowance for students that is, in fact, more liberal than the current allowance with respect to students living in the community and not on campus.

The term self-help, just for clarification on the record, is not a new term to this administration. It's currently used by the higher education community; however, it's more narrowly defined than we have interpreted it.

We are broadening the definition of self-help by requiring that $500 or 40 percent of cost comes from any source available to the student for financial aid, other than the Pell grant program or the supplemental educational opportunity grants—SEOG—funds.

COLLEGE WORK-STUDY

The second and only remaining program that we propose in the student aid portfolio is the college work-study program. We consider this program essential in trying to help students meet the $500 or 40 percent of cost minimum self-help requirement.

We have proposed taking all funds available for this account, other than those earmarked for Pell grants, and placed them in the college work-study program, bringing that program's proposed amount to $850 million, up from $555 million currently available for fiscal year 1984. This would increase the number of students who can participate in jobs on or off campus from 870,000 to over 1,200,000, and that includes both graduate and undergraduate students.

Institutional flexibility is enhanced under this proposal, because we would allow institutions to take up to 50 percent of their work-study money and use it for SEOG purposes. This authority would likely be used primarily by high-cost institutions for students for whom a $3,000 maximum Pell grant would be inadequate or insufficient to meet costs.

Under this transfer authority, institutions could add another $1,500 on top of the Pell grant, bringing the total maximum grant capability for a student attending a high-cost institution to $4,500.

Furthermore, we would also allow institutions to reserve up to $100,000 for job location development—JLD—programs, cooperative education programs, and/or adult literacy projects. JLD's allow institutions to support specialized centers on campus for the placement of students in both on- and off-campus jobs.

I know that Connecticut has several programs under this authority; so do New Hampshire and Vermont.

That kind of opportunity, I think, provides not only the expanded opportunity for the cooperative education program, as you will see later when we do the higher education account, but also allows for the funding of adult literacy which is a major problem we have in this country today.

GUARANTEED STUDENT LOANS

Guaranteed student loans, GSL, will be covered as a separate account, but I should tell you, at this point, that it figures very critically in the whole packaging concept that we have proposed.

EDUCATION SAVINGS ACCOUNTS

Our final proposal is the education savings account. We believe that this is long overdue as a reform in this country. Essentially it would provide a hedge against access being curtailed or denied to those elementary and secondary school children of today who might not otherwise have an opportunity to go to college because of rising tuitions. It allows $1,000 to be set aside per year for every child by his or her parents. The interest would not be counted for tax purposes during the period of time it is accruing as long as the savings are used for education.

There are some income restrictions, however. For example, families earning $60,000 or more could not participate; families earning between $40,000 and $60,000 would have limited participation; full participation in the program would accrue only to those from families earning $40,000 or less.

That tells you what we do propose to fund. What we don't propose to fund ought to be outlined briefly, as well.

NATIONAL DIRECT STUDENT LOANS

The national direct student loan program, which has in it this year $161 million in new loan capital, has been in existence now for over 24 years. We feel the time has come for this program to no longer need new capital.

There is $585 million available in fiscal year 1985 in revolving funds at institutions of higher education. Financial aid officers will make approximately 733,000 loans from that $585 million. We're proposing that the guaranteed student loan program, as we have outlined it, is adequate to meet the borrowing needs of students.

We also ask you to increase the NDSL interest rate from the current 5 percent to 8 percent, so that it is consistent with the guaranteed student loan program. We also ask you to provide $4 million for the institutional share of loans canceled for students who go into teaching.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

SEOG, the supplemental educational opportunity grant program, now funded at $375 million, is probably the most controversial and misunderstood of the programs in the student aid portfolio. We believe that this program's funding need not be continued.

However, we remind the committee that the program authority will be retained to implement fully the college work-study program proposal that we have made.

Right now, there's an overlap of about 70 percent in terms of SEOG recipients who also get Pell grant money. We feel that by expanding the Pell grant maximum to $3,000, we have more than adequately addressed the needs of the SEOG recipients in the current program.

This program, we believe, is one of those that will allow us to enjoy both access and choice for students, particularly those from low-income families.

If institutions were to implement the full amount of the transfer authority of 50 percent, they could, in fact, put $425 million from work-study into the SEOG program if that was their choice.

STATE STUDENT INCENTIVE GRANTS

The State student incentive grant program, which we think has been an unqualified success, has accomplished its purpose. This year, there is $76 million in funding. That amount is overmatched by States to the tune of $1 billion. Thirty-three States overmatch by as much as 75 percent.

We believe that those who argue that this program would collapse if the $76 million in Federal support were to be withdrawn are arguing against the success of the program. In fact, we would see the program as a failure if States decided to withdraw from the program, for it would indicate that the program had not been the incentive it was created to be.

TOTAL FEDERAL STUDENT AID AVAILABLE

There is almost $12 billion in federally generated aid that would go to students, $80 million more than is being provided in 1984. We feel that this is adequate for students enrolled in higher education.

In closing my remarks on this account, let me simply say that we have been consistent in trying to maintain the principle of simplification into three student aid programs—one work, one loan, and one grant—to do what seven programs now do. We can restore equity to the programs.

We are restoring the traditional role for the parent and the family, and providing incentives for young people who would like to continue or enroll in higher education.

Finally, we request a supplemental to remedy a bookkeeping error so that the $10 million that was appropriated to the higher education account for work-study and SEOG be transferred to the student financial assistance account.

That concludes my overview, Mr. Chairman. I'd be happy to respond to your questions.

MAXIMUM PELL GRANT AMOUNTS

Senator WEICKER. Well, the first question that comes to my mind is your statement vis-a-vis the amount of the individual Pell grant; $1,900 to $3,000. Yet the amount that you're asking for is identical to last year's; correct?

Dr. ELMENDORF. Yes, sir.

Senator WEICKER. OK. So how does that translate to the number of students that you're going to be able to serve?

Dr. ELMENDORF. We would see a fallout of about 300,000 students. The fallout that we've identified would consist of middle-income students who are currently attending low-cost institutions and yet who are getting considerable amounts of grant dollars.

The additionally available funding would then be redistributed to students from low-income families attending higher-cost institutions. By higher cost, I'm not talking about $12,000 to $15,000 institutions. I'm talking about average State colleges such as Southern State or Eastern Connecticut, or even the University of Connecticut.

I'm talking about institutions which cost about $3,000 to $6,000. It is in this cost range in which students who are now at a maximum $1,900, could start to benefit from the additional reach of the $3,000 maximum proposal we are advocating.

LOW-COST INSTITUTIONS

Senator WEICKER. So the institutions that would suffer would be what you call the low-cost institutions?

Dr. ELMENDORF. The institutions don't directly suffer; rather, it would affect students who now attend an institution that has low or no tuition. Let's take an example of low tuition, $300 institution with an added allowance of $1,500 for a student living at home with parents. That would come to $1,800 in expenses. If such an individual came from a family with family assistance and attended this institution, where they were billed only $300 in direct costs, he or she would receive a grant of 50 percent of $1,800, or $900 Pell grant. That amount is to pay for total expenses, only $300 of which was billed by the college. The rest would be, theoretically, to help defray living expenses in the parents' home.

We think that that is an excessive amount of grant money for a student attending a low-cost institution, especially when compared with an identical student with the same family circumstances going to the University of Connecticut—finding that only 15 percent of the total costs for which he or she is billed directly by the college can be paid for with grant money. That's the inequity that I'm trying to describe to you.

Senator WEICKER. Well, there are several problems I see. First of all, I think we would probably put community colleges into the lower-cost category for example. Is that what you are referring to?

Dr. ELMENDORF. Generally, yes.

Senator WEICKER. They, of course, serve a segment of the population that is probably more dedicated to getting an education than any other segment in the sense that most of the attendees, enrollees are people that have to work and, therefore, do their things at night or take courses as they can at these institutions.

It seems to me that we are really being very hard on the one area of education that is key in the sense of those who need an education to get ahead.

I worry a little bit about what you're doing here. You're continuing to move toward this elitism.

I'll tell you, when I had my first hearings on this subject last year regarding your initial proposal, the University of Connecticut was concerned that because of many of the changes that were coming to pass they would bear the brunt, if you will, of those persons who could no longer attend the Yales, the Harvards, and the Browns, et cetera. Now, it seems to me in this next step that's being proposed here we're going a farther step down the ladder.

I don't understand it. It seems to me it would be particularly harsh both on the institution and on these types of students.

LOW-COST INSTITUTIONS

Dr. ELMENDORF. You're absolutely correct that the lower-income students tend to go to community colleges. I would make this statement, however.

I think many of them go because of the attractiveness of the low cost, not because it's necessarily best for their needs. Some of these students, I believe, if given the opportunity and some financial incentive, would begin to think about enrolling in a baccalaureate program directly. I believe many community college students are qualified enough to have enrolled directly in a baccalaureate program.

The opportunity to do that right now, I think, is limited.

Senator WEICKER. Dr. Elmendorf, I must confess to you—and I've been very much involved in the community college system in the State of Connecticut—that the students that I find there really are people that are trying to get some form of education in conjunction with their jobs and other circumstances.

As you know, many of them are very old people, too. So you get that type there; but let's talk about the younger person.

They don't have the choice of going full time to college. They have to work and what they do is they start off in that community college. Then if things work out all right then they move the next step up the ladder.

But I don't think they're there because of the cost. I think they're there because that's the only choice open to them. They just don't have the money to propel themselves directly into a baccalaureate program.

I don't know if Senator Proxmire's or Senator Andrews' items here pertain to the community college programs, but Claudia tells me 40 percent of the community college students in Connecticut are part-time students: 40 percent. I would say probably we'd add another percent to that as to older people who were, for the first time, getting some semblance of an education.

All you have to do is to sit on the platform at a graduation ceremony at a community college to understand what you're dealing with. You know, you have the local mechanic coming up there with the local grandma.

If there's one group of students I admire it's these people. They're not there because it's the thing to do. They're there because they really want an education.

I hate to see that element shortchanged, in any manner, shape or form.

Mr. BAUER. Mr. Chairman, under our Pell grant proposal, low-income students, even at low-cost schools, would do better than currently. It would be those above $10,000 a year who would not do as well under our Pell proposal, as they would under current law.

We can submit for the record some hypothetical examples.

[The information follows:]

HYPOTHETICAL FINANCIAL AID PACKAGES—PROPOSED FISCAL YEAR 1985 POLICY

	Cost of Education					
	$2,500		$5,000		$9,000	
Family income	Current	Proposed	Current	Proposed	Current	Proposed
$10,000:						
Family:						
Contribution	0	0	0	0	0	0
Student work	1,250	1,000	1,340	1,340	1,340	1,340
GSL, NDSL, other loans			1,010	660	4,260	3,160
Pell self-help grant	1,250	1,500	1,900	2,250	1,900	3,000
Other grants			750	750	1,500	1,500
$15,000:						
Family:						
Contribution	325	525	325	525	325	525
Student work	925	1,000	1,340	1,340	1,340	1,340
GSL, NDSL, other loans			1,010	660	4,260	3,160
Pell self-help grant	1,250	975	1,575	1,725	1,575	2,475
Other grants			750	750	1,500	1,500
$20,000:						
Family:						
Contribution	835	1,340	835	1,340	835	1,340
Student work	600	1,000	1,340	1,340	1,340	1,340
GSL, NDSL, other loans			1,010	660	4,260	3,160
Pell self-help grant	1,065	160	1,065	910	1,065	1,660
Other grants			750	750	1,500	1,500
$25,000:						
Family:						
Contribution	1,435	2,225	1,435	2,225	1,435	2,225
Student work	600	275	1,340	1,340	1,340	1,340
GSL, NDSL, other loans			1,010	660	4,260	3,160
Pell self-help grant	465		465		465	725
Other grants			750	750	1,500	1,500

As the above table shows, under fiscal year 1985 proposed policies, students from any income group attending any cost institution can finance postsecondary education through a combination of family contribution, a modest amount of work, or work and loans at the students' preference, and Federal and other grants.

At all income levels, students attending higher cost schools receive higher Pell self-help awards under the fiscal year 1985 policy than under current law.

—For example, a dependent student with a family income of $10,000 would receive a $3,000 award at a $9,000 cost institution while under current law he or she would receive only $1,900.

—A student with a family income of $20,000 attending the same institution would receive a Pell self-help award of $1,660 compared to $1,065 under current law or a 56-percent larger award.

Under current law, students from differing financial circumstances attending low-cost schools receive the same award.

—For example, students with both a $10,000 and $15,000 family income receive the same $1,250 award at a $2,500 cost school.

—Under the fiscal year 1985 proposals this inequity would be eliminated. The lower income student would receive a larger award—$1,500 in fiscal year 1985 compared to $1,250 in fiscal year 1984—and students from families with larger incomes and less need would receive lower awards.

The proposed Pell self-help grant program would be sensitive to both educational costs and to family income.

—The Pell grant program under current law is relatively insensitive to the cost of education. For example, a student with a family income of $20,000 currently receives a Pell grant of $1,065 at all schools costing more than $2,130. His or her award does not increase as costs increase.

—As the above table shows, the Pell self-help award for the student with a $10,000 family income would rise from $1,500 at a $2,500 cost institution to $3,000 at a $9,000 cost institution.

—The student with a $20,000 family income has less financial need and would receive less grant support than the lower income student, but would still receive larger awards as the cost of education increases.

The aid packages in the above table assume that a student will work only 10 hours per week, 40 weeks per year—earning $1,340 at the minimum wage. The student could choose to further contribute toward his or her education by also working full-time for 10 weeks during the summer (earning an additional $1,340) or working additional hours during the school year.

Under the administration's fiscal year 1985 proposals the amount of self-help required to attend an institution of a given cost would be equal for all grant recipients regardless of family income provided that institutions engage in equity packaging which they commonly do and which is assumed in the construction of this table.

The calculation of the family contribution and the Pell self-help grant in the table assumes a family of four with both parents working and one dependent student in postsecondary education.

LOWER-INCOME STUDENTS

Senator WEICKER. I want to say to you that we went through a period of time here—and I'm not saying that it still is not a problem—of this great concern with middle America. I think that's perfectly proper.

But by the same token middle America has clearly prospered by virtue of an ever superior public education system and the fact that many, many of their children have been able to enjoy the benefits of a college education.

The fact still remains that we are going to be burdened with these problems of poverty and welfare and all the rest of it unless we deliver an education to those of the lowest income and the meanest circumstances.

Let me give you a little example. I don't want to float around in the clouds.

VIRGIN ISLANDS

In the course of the presentation of the budget, we received a proposal by the administration which, in effect, would result in a cut in $1.7 million in the education funds that go to the Virgin Islands. Now, I use this as a sort of test tube case for the following reason.

The demographics of the Virgin Islands could be related to the United States. You have a large minority population and staggeringly high percentages of unemployment among young and among minorities.

Now, the significant factor is that over one-third of the total population—that's why we can use this as a test case—of the Virgin Islands is of school age. If there was ever a situation that cried out to see whether or not this whole theory of "give a person an education and your other problems are going to fall by the wayside," it's right there. You've got the chance to do that.

For us to cut back under those circumstances is absolute foolishness as far as I'm concerned. You ought to be upping that commitment to education. Nothing else is going to do the trick in the Virgin Islands, I can tell you right now, except to give those people the education whereby they can be on their own feet, et cetera.

LOW-INCOME STUDENTS

I have concern for middle America, but I also know that we're still living with these huge problems of poverty and welfare and all the rest of it. In the rush to accommodate, politically and programmatically, middle America, I just don't want to forget this other area which really will cause us greater problems in the outyears in so many different areas.

That's why I address this fact as to what is available there in terms of education for the lowest income student.

Dr. ELMENDORF. Ours is a very technical proposal, Senator, and I think you have "hit the nail on the head" in terms of a general perception about what might occur; but let me tell you that we have also shared that concern with our own budget and policy planners, and they have been persuaded that the lowest income element that you're talking about needs as much protection as we can afford to give them. We, in fact, have afforded even greater protections to the low-income student than currently exist under present law.

Now, that's going to bode well for the community colleges because 45 percent or most of the black college students and 55 percent or most of the Hispanic college students attend that particular sector. We think they'd benefit under our proposal.

We also think that some students, such as many black and Hispanic students, attend community colleges not so much because they don't have the credentials to be admitted to a private or a 4-year public institution, but because they can't afford to attend those institutions.

We believe that some of the charts we have here displaying the impact of our proposal at different cost levels—compared with current funding—clearly show that the opportunity to attend the higher cost institution—be it 2 year or 4 year, public or private—is increased under our proposal.

We're not very happy about the fact that so many community college students never finish the 2-year program, never even aspire or get into

the 4-year college. We think the HBC, or the historically black college, is a good example.

When you have 45 percent of black students in higher education enrolling in 2-year colleges, and are still finding that they can't get through the 2-year program for financial or other reasons, then I think that an incentive program like this—particularly for the low income—will start to improve the retention rate of these low-income students, for they will see the possibility of not only finishing their 2-year programs, but also going on to 4-year institutions.

Again, students who would fall out, to be fair, would be those from middle-income families now enjoying both the subsidy that the taxpayer of the State has provided to make community colleges low or no cost, as well as a high Federal taxpayer subsidy through the Pell grant program.

That's kind of a double subsidy benefit for these students to enjoy, in part, because of what's provided through the State and, in part, what is provided by the Federal taxpayer.

Senator WEICKER. I don't want to monopolize here. We have two Senators with us. Senator Proxmire, why don't we just keep on bouncing back and forth here. Go right ahead.

FEDERAL EMPLOYEE STUDENT LOAN DEFAULTS

Senator PROXMIRE. All right. Dr. Elmendorf, your Inspector General's most recent report advises that as of September 30, 1983, the Department had collected $2.3 million of the $68 million in student defaults owed by current or retired Federal employees. Although the total number of Federal employee loans in default is rather large—namely, a little over 50,000—repayments are currently made on only 3,600 accounts, roughly 7 percent.

Why haven't you been able to do a better job?

Dr. ELMENDORF. I think we've found a number of things—one, that it took until just recently to get published in the Federal Register regulations giving the authority that the employing agencies need to garnish wages and to effect an administrative set-aside.

We have collected more than $4 million. We have collected, I think overall, about $11 million. But the major problem we've found was that 35 percent of the accounts listed on the payrolls of the various agencies were for persons no longer employed by the Federal Government. We've had to refer those to our private sector collectors for collection.

We're making progress. We're reducing that 50,000—actually it's 46,000 individuals, but 50,000 student loans. We've reduced that considerably just by updating the payroll data.

We are collecting, and we believe that with our regulations now in force, we have the authority to take the kind of serious action that was envisioned when the enabling legislation was passed.

Senator PROXMIRE. So that although the Inspector General's report said that on September 30 of last year only $2.3 million had been collected, now it's $11 million?

Dr. ELMENDORF. The figure has been updated. I believe it's $11 million.

Senator PROXMIRE. It has grown to $11 million in the 6 months or so since that report?

Dr. ELMENDORF. Yes; and I think that it will grow even more rapidly.

Senator PROXMIRE. What are your collection goals for fiscal years 1984 and 1985?

Dr. ELMENDORF. In that account, we expect that we will collect about $7 million in 1984 and about $15 million in 1985. For all student aid accounts, we expect that we'll have about $178 million or so collected in the loan programs within the Department for which I have responsibility.

Senator PROXMIRE. You said you would collect $7 million in 1984, but you also indicated that since September 30, 1983, you'd collected almost $9 million.

Dr. ELMENDORF. We have records showing $3.4 million collected through 1983; we expect to collect $7 million in 1984; and $15 million in 1985. I added the $7 million for 1984 to the $3.4 million to get the $11 million that I just quoted to you.

Senator PROXMIRE. So that's a prospective figure.

Dr. ELMENDORF. Yes, sir.

Senator PROXMIRE. What proportion of these defaulted loans belong to current Federal employees?

Dr. ELMENDORF. About 65 percent of them belong to current Federal employees and annuitants.

GAO AUDIT OF COLLEGE WORK-STUDY

Senator PROXMIRE. Mr. Elmendorf, a GAO audit of the college work-study program last spring uncovered various administrative deficiencies in 80 percent of the schools under review. For example, GAO reported that these schools were deficient in areas such as timekeeping and payroll practices, class and work schedules, and students not being productively employed or adequately supervised.

One school reported so many participants that it lacked adequate supervisory staff. As a result keeping track of all the students was difficult and some were paid even when they failed to show up.

One student's time card reported 52 hours work during a 2-week period whereas payroll documents did not show any hours worked at all during this particular pay period. In one case, 23 work-study students were assigned the responsibility of answering one telephone—23 students answering one telephone! The supervisor reported that although only one student could have handled the job, the students were not dependable so three or four students were scheduled at a time with the expectation that at least one would show up.

Although I support the work-study concept, I hate to think this program is merely windowdressing, that we're providing grants in aid rather than actual employment for some students while schools, at the same time, collect up to 5 percent of the work-study budget to administer the program.

Admittedly, the audit involved only 5 schools out of the 3,400 which currently participate in the program. Nevertheless, we're talking about a program which could cost $850 million next year if Congress endorses your budget request.

Are you comfortable that more schools are demonstrating a similar lack of judgment in disbursing these funds?

Dr. ELMENDORF. I am confident to the extent that we are able to monitor over 1,000 schools a year by having direct site visits by our program staff and——

Senator PROXMIRE. Direct site what?

Dr. ELMENDORF. Program visits by our staff in the regions. We have 10 regions. We have about 350 people in the regions who do primarily two things—they review banks which administer and loan money under the guaranteed student loan program, and they also review certification and do program reviews for institutions that receive any title IV–A funds, one program of which would be the college work-study program.

We concur with most of the recommendations and have so stated to GAO. We believe that we can alert most of the institutions with a "Dear Colleague" letter that beginning in the 1984–85 award year, students' time records must be kept in clock time sequence.

We also think that we can take stronger actions directly through follow-up reviews in the case of the 5 percent of the institutions that were cited in the report. And generally, we do concur that it's a very complex program. We think it requires a great deal more attention by the participating schools.

We can manage, with our current resources, to visit about 1,000 to 1,200 schools per year to do program reviews.

Senator PROXMIRE. Well, what bothers me, you see, is the possibility that this may be kind of a sham, that there's not really a work-study program, that those enrolled in the program get paid, but don't work.

Maybe that's all right. Maybe that's the way we ought to use the funds. But I dread to think that there's as much deception as this GAO report suggests that there is.

Dr. ELMENDORF. No, sir. I believe that the report cites the timekeeping and monitoring practices in only certain institutions.

My general feeling is that the worth of this program is indisputable. That belief is, in fact, backed up by accurate records maintained by institutions. In the 1,200 reviews we have done this year, we have not found the kind of program abuse that might be implied in your question.

Senator PROXMIRE. Have you imposed any new controls on these high risk schools?

Dr. ELMENDORF. We continue to update the program monitoring handbook which is used to guide our staff who go to the campuses and review the programs. We have sampled more cases, and we have done more intense examination in those cases.

We can't examine the universe of institutions in 2 days, so we sample that universe as an auditor would, and that's the way that we actually

review institutions. What we plan to do is to provide instructions to our reviewers to sample more cases and to look more critically at the kind of things cited in the GAO report—for example, the conflict of work hours and class schedules and the actual accounting of the payments made to students by the institutions through the work-study program.

COLLEGE WORK-STUDY ADMINISTRATIVE FUNDS

Senator PROXMIRE. What concerns me is that these schools are getting substantial amounts of administrative funding although it looks as if they're really not doing the kind of administrative job they should do.

Based on an average work-study award of $170,000 last year, each school received up to $8,500 in administrative support. You're proposing an increase in the administrative allowance rate to 10 percent along with making other structural changes.

What makes you think that schools are going to do a better job if they receive more?

Dr. ELMENDORF. I think that, in terms of the program proposals we've made for 1985, we're looking for the work-study program to be used even more intensively than it has been in the past. What we would like to see is the institutions having greater flexibility in terms of how the program funding may be used.

With the limited flexibility of moving funds around to the right best fit for the student, a 50-percent versus a 10-percent portability of those funds would move the money more directly into the supplemental grants area, which of course would not have the kinds of abuses which could occur in the work-study program.

The 5-percent administrative funds that the institutions are allowed may be used at their discretion to supplement staff and related resources, to introduce more efficient computer technology, to develop necessary software programs, and so forth.

We believe that institutions could and should use more of their administrative money to directly support the monitoring and operation of the program. It is a complex program, and it involves many offices at the institution beyond the financial aid office.

NDSL DEFAULTS

Senator PROXMIRE. Now, your justifications say that the national default rate under the direct student loan program only dropped by one-half of 1 percent in 3 years, going from 16 percent in 1979 to 15½ percent in 1982.

Moreover, the net defaulted loan volume totaled $1.076 billion last year and is estimated to rise to $1.173 billion in 1984 and $1.281 billion in 1985.

Why aren't schools reducing their portfolios of delinquent debts?

Dr. ELMENDORF. Let me break out that rate into what are really two rates. There's a program rate, which you cite as 16 percent being reduced to 15.52 percent. That's the total program default rate.

There is also an institutional default rate. That is the default rate on loans held by the institutions. That rate has been reduced to 10 percent in the last 3 years, down from nearly 12 percent.

The fact is that we have issued regulations that would terminate any receipt of new loan capital by an institution when its default rate is in excess of 25 percent. That has stimulated institutions to be more serious about collecting their own debts.

Second, when institutions collect their own debts, that money goes back into their own revolving fund account and is reloaned to their own students; that's a good incentive to collect.

Third, we've allowed institutions to take "paper" that they feel they can no longer collect on and assign it to the Department. The Department has taken that "paper," tried to collect on it by using Federal collectors, and has since passed some on to private sector collectors.

Under debt collection legislation sponsored by Senator Percy and others, we can now refer accounts that are not collected on through private sector collectors to credit bureaus—so as to have the credit ratings of defaulters affected.

All of that, I think, has resulted in institutions taking the collection function a bit more seriously, and has also resulted in an institutional default rate that has been reduced considerably in the last 3 years. The program default rate is still high. It's 15 percent.

However, NDSL has been in existence now for 24 years, so it's expected to have the highest default rate; just like the FISL program which has a 15- and 16-percent default rate—yet the newer guaranteed student loan program has about an 11-percent default rate.

Senator PROXMIRE. If I have more questions, Mr. Chairman, I'll be back.

Senator WEICKER. Senator Andrews?

GSL TAX-EXEMPT FINANCING

Senator ANDREWS. Thank you, Mr. Chairman.

Since the end of fiscal 1983 the Department of Education has approved only a handful of applications for tax-exempt revenue bonds to finance the guaranteed student loan program. They have also added a number of new regulations intended to restrict potential abuse of the program.

What's been the overall effect of the new regulations?

Dr. ELMENDORF. Senator, that requirement was not one that was created independently by the administration. As you know, the Congress passed a law on August 15 that mandated the Department of Education to begin implementing the law which essentially said this——

Senator ANDREWS. I know Congress told you to do it, but you devised the regulations.

Dr. ELMENDORF. Yes, sir; and we have, in fact, just published the regulation in the Federal Register. In the interim, we have had to review requests for funding.

We do not feel that any student has been jeopardized in any way by denial by the administration of approval of any administrative "plan for doing business." In fact, the student is "blind" to the type of funding——

Senator ANDREWS. That's true.

Dr. ELMENDORF [continuing]. That is provided through either tax-exempt or taxable sources.

Senator ANDREWS. But in our State it's almost all done through the 99 code, one of the best setups ever, and we use this method.

How many issues do you deny?

Dr. ELMENDORF. We have approved more issues than we've denied. I think we have, thus far, 10 issues approved for $587.5 million, and we have 5 issues that have been disapproved for $1.08 billion, including $600 million from 1 unit in California.

Senator ANDREWS. How many student loans have been affected? You say you don't think any——

Dr. ELMENDORF. I don't believe any have been affected.

Senator ANDREWS [continuing]. By turning down over 1 billion dollars' worth of issues?

Dr. ELMENDORF. We have disapproved the amount of $1.08 billion. In many cases, other sources of funding were found. Let me give you an example: Utah, they came in asking for $145 million of tax-exempt financing; through alternative sources of taxable financing, they were able to finance more than double that amount, $300 million, over 5 years rather than the 3 years that they originally requested.

Most of what I have read from Utah, from the local press, says that they are better off as a result of that type of financing than they would have been had the original request been approved.

Senator ANDREWS. How many State authorities have complied with the stricter, more complex regulations?

Dr. ELMENDORF. I don't understand that question.

Senator ANDREWS. Well, you came out with new regulations. How many States have gone along with it? How many States are hanging out trying to get you to approve the old method?

Dr. ELMENDORF. Remaining left to have action on them? We have 15 that we've acted on. We had, I believe, 30 applications, so we have 15 pending. Most of those with pending requests have been directly communicated with, and we've asked for further information explaining how it is that tax-exempt financing is necessary for the amount of funding they project in the future.

We've also asked them to at least explore other sources of revenue; we've not denied them. We're asking for more data to complete the application.

GSL TAX-EXEMPT FINANCING

Senator ANDREWS. Has Sallie Mae increased its purchases of packaged student loans?

Dr. ELMENDORF. Yes; I believe it has. Sallie Mae was the primary financier for Utah.

Senator ANDREWS. Can you provide figures on that for the record?

Dr. ELMENDORF. We certainly can.

[The information follows:]

STATE'S USE OF SLMA FINANCING

At least two States have obtained taxable financing from the Student Loan Marketing Association (Sallie Mae, SLMA) as an alternative to selling tax-exempt bonds in order to raise student loan capital. Sallie Mae has provided $300 million in taxable funds to the Utah Board of Regents and $100 million to the Maine Educational Loan Marketing Corp. Six other State authorities are negotiating with Sallie Mae for new loan capital. While Sallie Mae traditionally buys existing loans to help lenders make new loans, this new action by Sallie Mae to offer advance financing for State authorities to buy existing loans or make new loans provides one of a number of viable alternatives to unnecessarily high levels of tax-exempt financing.

Furthermore, Sallie Mae provided a total of $2.6 billion in 1983 to support student loans for an increase of about 30 percent over the previous year. In 1983, Sallie Mae purchased $1.68 billion in student loans and advanced lenders an additional $913 million to finance new student loans.

TAXABLE SOURCES OF FUNDING

Senator ANDREWS. Has Citibank or any other major financial center bank increased its purchases?

Dr. ELMENDORF. I believe States now have been getting interested bids from not only Citicorp and Chase, but also from Morgan Guaranty and others. It's a very competitive market out there, the taxable market, and more agencies than just Sallie Mae are interested in competing to be these taxable sources of funding.

Senator ANDREWS. But in your mind how well is the proposal to privatize the student loan secondary market by cutting out the public market working?

Dr. ELMENDORF. Well, we don't think that that's the proposal. We think that we have an obligation that Congress imposed on us to look very carefully at the types of requests for funding to be sure that there is not an unnecessary amount of requests for tax-exempt funding, when taxable funding as an alternative source might be available. As Utah found out, in some cases this funding is on terms and conditions that are even better than tax-exempt funding, with little or no burden on the taxpayer in terms of loss to the Treasury—which is a major concern to us and should be to anyone concerned about a $200 billion deficit.

Senator ANDREWS. What's the net effect on interest rates to the student?

Dr. ELMENDORF. None whatsoever. That's why we say that the student is "blind" to the type of financing used to create the loan. The loan conditions do not change for the student under any circumstance, except as you may wish and the President may approve through changes in the legislative authority.

FARM ASSETS UNDER NEED ANALYSIS

Senator ANDREWS. Now, during hearings last week my colleague, Senator Burdick, expressed his concern over the effects of the guaranteed student loan program's eligibility requirements for farm families. At that time, witnesses from the Department assured the Senator the students from farm families are treated more favorably and pointed out that the need analysis requirements are less stringent than those under the revised Pell grant program.

That doesn't exactly comply with what we keep hearing from our universities out there. Certainly, I agree with the latter portion, that they are less stringent than the revised Pell grant program. But my concern for the effect these restrictions will have on farm families has not abated.

Farmers are land rich and cash poor, and that land isn't even salable now. Now, according to my information the average farm in the average North Dakota county which returns an income of less than $5,000 to $6,000 still disqualifies that family from participating in a student loan program.

How do you respond to this?

Dr. ELMENDORF. There are three different ways in which a farmer may be treated depending upon the applicant from that farm family.

First, if a farm student is applying under the Pell grant program, there is a treatment which clearly does favor the farmer. There is a $100,000 exemption for a farm, for example, in terms of the way assets are treated.

Second, under the guaranteed student loan program—if that's the only program the student is applying under—then they can use what's called the "short form," like an IRS short form, where assets aren't considered at all. In other words, the farm asset is not even calculated.

The third treatment is what is called the uniform methodology. Any student who applies for any campus-based title IV aid is probably going to have to go through that analysis. There is a preferential treatment for farm assets under the uniform methodology, and it depends upon the asset, how large it is, and the age of the farmer or the prime——

Senator ANDREWS. But you feel that using the short form in a sense does take into account the inherent liquidity problems of farm assets.

Dr. ELMENDORF. Yes, sir—in this way: The actual value of the farm is not even calculated in what's expected to be a parental contribution. As a result, whether the farm is worth $50,000 or $500,000, there is no expected contribution from that family related to the value of their farm.

Now, that is only for a student who applies under the guaranteed student loan program and no other campus-based source of funding. If a student gets even $1 from the campus-based programs, he or she would have to use what's called the uniform methodology, which is a more complex assessment.

There is a table that I can provide for the record that shows, under our proposal, the adjusted net worth for farm values of from $1 to $275,000.

Senator ANDREWS. I would appreciate it if you would include that in the record.

Dr. ELMENDORF. I will do that, sir.

[The information follows:]

FARM ASSETS UNDER THE UNIFORM METHODOLOGY

In general, the uniform methodology need analysis system (used by the College Scholarship Service and other major need analysis services) determines the expected family contribution by assessing a family's adjusted available resources, which include net income and net assets. Net assets or "net worth" is derived: first by subtracting all related indebtedness (such as mortgages and loans for farm equipment) from the estimated market value of the assets, and then by subtracting an asset protection allowance which is based on the family's prospective retirement needs and which varies from $25,800 (when the oldest parent is age 40 or younger) to $58,200 (when the oldest parent is age 65 or older). A percentage of the resultant "adjusted net worth" amount is considered available to meet postsecondary costs. The rate of assessment varies from zero to 12 percent depending upon the family's other adjusted available resources.

Further, net farm assets, unlike other assets, are adjusted downward before being reduced by the age-based allowance discussed above. The following table summarizes this adjustment to the farm's worth (net of all indebtedness on the farm):

Net worth of farm	*Adjusted net worth of farm*
Less than $1	$0.
$1 to $55,000	40 percent of net worth.
$55,001 to $165,000	$22,000 plus 50 percent of net worth over $55,000.
$165,001 to $275,000	$77,000 plus 60 percent of net worth over $165,000.
$275,001 or more	$143,000 plus 100 percent of net worth over $275,000.

Thus, while farm assets are taken into account under the widely used uniform methodology calculation, several intermediate steps are taken which reduce the net dollar value of farm assets before they are included in the calculation of a family's expected contribution.

However, I would also like to emphasize that the college's financial aid administrator has broad discretion in determining the family's financial strength for purposes of the GSL and campus-based student aid programs. If the approved general need analysis calculation is believed not to accurately reflect the family's available resources, the financial aid administrator may make appropriate adjustments to reflect actual family resources. Also, as mentioned above, the aid administrator may choose to use the non-asset based "short form" method in certain circumstances. We expect that this method is used in most cases in which the standard formula (for example, uniform methodology) shows zero or low remaining need (educational costs minus expected family contribution.) Thus, we believe that the GSL need analysis required under current law generally does not result in significant reduction of GSL eligibility for farm families, nor would it under the proposed extension to families with less than $30,000 in adjusted gross income.

COLLECTION OF OUTSTANDING DEFAULTED LOANS

Senator ANDREWS. Earlier you mentioned the collection of outstanding defaulted loans.

What measures have you implemented in an effort to accomplish the goals of reducing the incidence of default?

Dr. ELMENDORF. We believe there's more to do, but we have taken some actions. We are currently in the process of developing deregulation regulations. It's almost a contradiction in terms, but sometimes you need to regulate to deregulate and vice versa.

In this case, I'm speaking of due diligence requirements, which are standards and procedures an institution must go through to even claim that a loan is in default. The Department has been assigned loans that some States have not taken seriously. The guaranteed student loan program is administered by the States, as you know.

We would like to, in our regulation, have the authority to have certain loans assigned to the Secretary, and to be able to further assign these loans to private sector collectors. We feel that these two measures would accomplish a great deal with respect to loan collections.

One of the major problems in the increasing claims or loans has been the fact that during the post-1978 period, volume in the guaranteed student loan program escalated rapidly from about $4.6 billion in 1980 to over $7 billion in 1981. Next year, in fiscal year 1985, we're projecting $7.5 billion.

As that loan volume, for students who have left school, comes into repayment status about 2½ to 4 years later, the percent increase in claims is going to increase. What we have seen—and I can show you some charts on that—is an escalation after 1980 of the volume in that loan program which has started to cause increased claims costs.

In other words, we're going from $26 billion in loans in repayment status in 1983, potential repayment, to an expected $32 billion in 1985. As that number blossoms, as it has because of recent years' increased new loan volumes, the actual amount of claims is going to increase.

We're projecting $227 million more dollars in claims paid in fiscal year 1984, and another $92 million in the year after, as a result of this. So we're very aggressive in trying to take action, not only in regulation, but through the monitoring of the State agencies.

We now insist that every State agency be reviewed every year by our program reviewers in the regions.

Senator ANDREWS. Are you taking any action in terms of providing incentive to individual schools to make sure they help with the collection of these student loans?

Dr. ELMENDORF. We have not, but we understand and are supporting efforts by the States to do that, since the State guarantee agency works directly with the institutions. The State guarantee agency administers the program.

We have proposed and are implementing the elimination of one of the loan programs, the FISL program, which is no longer needed. It was needed 10 years ago when State agencies were not in existence. Now there are 58 State agencies that are able to administer that program.

We also see our proposals in 1985 as helping the situation considerably because there is no risk sharing at the State agency level for the granting of loans that may, in fact, be risky. We now pay the State agency 100 cents on the dollar for every dollar that is claimed to be in default.

We are proposing that this be changed to 80 percent/20 percent, with us taking 80 percent of the risk and the State taking 20 percent of the

risk. We also know that the State agencies have available over $700 million in surplus reserves.

We have proposed, under the guaranteed student loan program, action to take back money that we advanced to the State. The States no longer need this money, which will be put back into the Treasury.

Senator ANDREWS. Thank you, Mr. Chairman.

Senator WEICKER. Thank you, Senator Andrews.

Senator Chiles.

NDSL DEFAULT RATES

Senator CHILES. This 25-percent default rate for schools, that sounds very high. Why do we allow such a high default rate?

Dr. ELMENDORF. That has been allowed over history because the NDSL program is 24 years old. I don't think much serious effort was ever taken before 1981 to do anything about it.

We've not only instituted the cutoff of loan capital—the 25-percent default rate being the figure above which no capital can be released—but have decreased to 10 percent the amount of capital an institution can get as their defaults exceed 10 percent, which is a more reasonable point at which to take adverse action.

Most of the institutions, as I mentioned earlier, have now improved so that the institutional default rate is 10 percent. That's the average institutional default rate among all the institutions participating in the program.

The other thing was that many institutions before the cutoff of——

Senator CHILES. Well, I guess maybe I don't understand this. The 25-percent rate is the overall rate for all loans?

Dr. ELMENDORF. No, sir. That 25 percent is a cutoff figure above which institutions will no longer get any new loan capital under the program. The program default rate is about 15.5 percent; the institutional default rate or how much defaulted paper is held by institutions across the country is 10 percent.

Only about 400 institutions have a default rate of 25 percent or greater. Those, I believe it is 479 institutions, are no longer receiving any new loan capital. They have to essentially live on and loan out that which they are able to collect from the students who have borrowed in the past—so that they do not jeopardize the future for the students who are currently in attendance or who will be in attendance.

Senator CHILES. Well, given the fact that, you know, we got serious about this in 1980 and 1981, would we allow an institution to go up to a 25-percent default rate now, one of these institutions that is a 10-percent default rate? Would we continue to loan them even though they start doing a miserable job now?

Dr. ELMENDORF. No, sir. We do not allow them to receive any money to loan if they go above 25 percent and they get——

Senator CHILES. Well, is that above 25 percent of their current loans or can they go—If I'm school A and I have a 10-percent default rate, can I be careless up until this 25 percent?

Dr. ELMENDORF. You can be careless, but you will get less new Federal loan capital for every percentage point above 10 and up to 25. In other words, there's a reduction formula in place that reduces the amount that an institution can get in new money in relation to the amount of money not collected, and over which the institution has direct collection authority and control.

So there is a disincentive to go up to 25 percent.

MAXIMUM PELL GRANT AMOUNT

Senator CHILES. I'd like to hear from you the rationale of the fact that we're staying at a current dollars approach and yet we're allowing the student to draw $3,000 under the $3,000.

Don't we still have a pool of students that we're not meeting anyway because we have held, in effect, to current dollars?

Dr. ELMENDORF. Are you speaking specifically of the Pell grant program?

Senator CHILES. That's right.

Dr. ELMENDORF. The Pell grant program, we think, is ready for a redistribution of dollars in a way that more equitably treats the students who are in the program. We see students in that program now unable to attend the institution of their choice because they are "maxed out" at a $1,900 total grant; and that, we think, can be remedied particularly for the low-income students.

Those students should have the opportunity to attend an institution of choice, which might be an historically black college, for example. Fordham Memorial University is one of those institutions, that as a private school, has a tuition charge of $4,000 to $6,000.

Right now, only about 20 percent of the cost of attending that institution can be defrayed by the current Pell grant maximum. We'd like to see the student who attends the Fordham Memorials of this world, with a cost of $6,000, be able to get half of his or her costs paid for in grant dollars—as is the case with lower-cost institutions now.

Senator CHILES. Well, what I'm saying is by doing this are we reducing the pool of students that are going to be able to get grants to start with. We've got constant dollars. We've not raised the dollars. We've kept that the same as last year, but we're going to allow students to have more.

You say you're maxing out students or you're reducing where they can go. You're reducing the number of students that will be able to participate.

Dr. ELMENDORF. Let me clarify.

When I say we're reducing by 300,000—that is not students, that's awards. In the title IV program, students get multiple awards from multiple programs.

What we're saying is that the 300,000 student award reduction in that program should be absorbed by the other programs—the guaranteed student loan program and the extra $295 million we're proposing go into the work-study program.

So, no, we don't see the student being disenfranchised. We see them depending upon other sources of aid. We know, for example, that we would save about $475 million under the new award rules that we put into effect in that program, and another $210 million under higher assessment rules, but it's costing us almost $500 million to increase the maximum award in that program from $1,900 to $3,000.

So it's a redistribution of the funds within the program, and yes, there will be some students now benefitting from that program who will find that they'll have to use other sources rather than Federal grant funds. But, at the same time, there are other students who will get more grant aid, particularly those from low-income families. These students will now have an opportunity to use those additional dollars and to carry those dollars with them to other institutions.

PELL GRANT LIVING ALLOWANCES

Senator CHILES. Well, I note you're making a distinction of up to $3,000 for a student who does not live at home and $1,500 for one that does.

Dr. ELMENDORF. Yes, sir. That is more liberal than the current guidelines on that.

In fact, what we have said is that it costs as much to live off campus, but not with your parents, as it does to live on campus. We have allowed, in the calculation of the costs against which the grant would be computed, $3,000 for living off campus.

There are a lot of community college students, who as Senator Weicker just mentioned, don't live at home with parents, because they are older students who have established their own residences and are independent. Under the current program, they get an allowance of $1,600. We would raise that to $3,000.

That is a more favorable treatment for the type of students who attend the community colleges.

Senator CHILES. Thank you, Mr. Chairman.

CAMPUS-BASED ALLOCATION FORMULAS

Senator WEICKER. Thank you very much, Senator Chiles.

You're proposing also to increase the college work-study program by $295 million and, at the same time, to eliminate the separate funding for the supplemental educational opportunity grant program. You would, however, allow institutions to use up to 50 percent of their work-study allocations for SEOG's if they wish. In essence, you would be block granting the SEOG and work-study programs.

Your budget states that "Should all institutions use the maximum amount to make grants, $425 million would be available for SEOG's which is $50 million more than is available for SEOG's in fiscal year 1984."

If all schools used 50 percent of their work-study allocation for supplemental grants, wouldn't it also be true that there would be $130 million less that would be available for work-study than is currently available in fiscal year 1984?

Dr. ELMENDORF. Yes; that's correct. If all institutions did that. That's an unlikely situation, however. We have worked out distributions on——

Senator WEICKER. But so is the other one unlikely so don't start that. You started it; I'm finishing it.

Dr. ELMENDORF. Which?

Senator WEICKER. You said should all institutions use the maximum amount to make grants, $425 million would be available for SEOG. I'm turning it around the other way.

I don't think you're realistic and I don't think my question is realistic, but it's a response to your statement.

What bothers me is, as counsel pointed out—to give you an idea what's happened here with my colleagues on the committee—using the State of California as an example: In California at the present time supplemental educational opportunity grants are at $37 million. Now, in their program that would go to zero.

However, California under the work-study proposal goes from $47 million to $102 million, OK? Now let's take a look at the case of Massachusetts. Massachusetts, at the present time, gets $20 million for the SEOG's. It goes to zero under your proposal. Massachusetts would stay at the $32 million they presently receive under work-study.

So you can see that, in their case, they get literally cut out of $20 million, period. In the formulation there's no advancement in the work-study; I mean, like California, it goes ahead and benefits considerably.

I have some clear problems with this, both the formulation and the amount and I think there are some big problems of concern, also. In Florida it's $10 million under the SEOG's. That goes to zero. Then Florida goes from $16 million to $27 million under work-study. So Florida just about comes out in the total the same.

Wisconsin at the present time receives $11 million under the SEOG program and Wisconsin goes from $11 million to $19 million under work-study. So they lose money under the total amounts of dollars allocated.

What are you trying to do here? I don't understand it, to be very honest with you. I mean, I understand what the result of your work is, but what's your theory behind all this?

CAMPUS-BASED ALLOCATION FORMULAS

Dr. ELMENDORF. With respect to work-study, I don't know what source you're using, but we have worked out some figures.

Senator WEICKER. This is your budget justification.

Dr. ELMENDORF. We've now gone beyond that and worked out some figures and projections which would, we think, more carefully detail the FTE—full-time equivalent—enrollment allocations—which are allocations based on the actual number of people going to school in each State.

Right now, we are living with a jury-rigged distribution formula in the work-study program that essentially is geared for continued reduc-

tions in the program. It was originally built on a formula for increases in the program and, as a result, there are disparities in the program in terms of what States get and what institutions get.

Senator McClure brought to our attention how Idaho has not fared well under the current distribution formula. Under the distribution formula that we propose for the allocation of the $850 million, we have worked up an alternative that allows those States you mentioned, which might get hurt in terms of work-study money, to continue receiving at least as much as they now have. The additional funds available under the new proposal would be allocated to fund those States which have grown rapidly in terms of enrollments.

Senator WEICKER. Is that in your budget? I thought it called for zero for work-study.

Dr. ELMENDORF. No; we are requesting $850 million for college work-study. You are correct, however, that any time you try to change the distribution of what States get in any program, you're going to have concern both ways.

We've had concern from Senator McClure, who asked us to do a comprehensive study on this. The outcome of that study essentially was to propose a different way of distributing funds because it did result in a funding range of $36 per full-time equivalent student in some States and up to $168 in other States.

NEED FOR AUTHORIZING LEGISLATION

Senator WEICKER. Let me tell you this. There's no point in wasting each other's time.

As I understand it, all of what we're talking about here requires legislation.

Dr. ELMENDORF. Yes, sir.

Senator WEICKER. And you people are trying to accomplish this through the appropriations; is that correct?

Dr. ELMENDORF. No, sir. We would have to have authorizing legislation.

Senator WEICKER. Well, let me tell you it isn't going to happen. I don't think it would happen anyway, but I know one thing. I don't think it will happen in this particular year with only a few days left in terms of legislative days.

What do we do about that from a budgetary point of view as far as the appropriations? We go back to, what, the $375 million if you don't get your legislation?

Dr. ELMENDORF. We have, in the work-study program, $555 million in 1984. We have $375 million, I believe it is, in SEOG, and $181 million in the NDSL program.

Senator WEICKER. Senator Proxmire.

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PARENTAL CONTRIBUTIONS

Senator PROXMIRE. Mr. Bauer, according to information you provided last year, 80.8 percent of all parents made some sort of contribution to their children's postsecondary education in 1978. This dropped to 72.3 percent 3 years later.

What are the percentage figures for 1982 and 1983?

Mr. BAUER. I don't know off the top of my head, Senator, but I'll provide that for the record.

Senator PROXMIRE. Off the top of your head, can you tell me if those figures are lower than 72 percent?

Mr. BAUER. We'll have to check the figures.

[The information follows:]

PARENTAL CONTRIBUTION

In 1981, information collected by the cooperative institutional research program (CIRP) on first-time, full-time students showed that 72.3 percent of parents contributed to their children's educational costs. The latest CIRP surveys of freshmen indicate a further drop in the percentage of parents contributing to their children's educational costs—71.8 percent in 1982 and 70.8 percent in 1983.

DROP IN PARENTAL CONTRIBUTIONS

Senator PROXMIRE. Why has the percentage of parents contributing to their children's education dropped so substantially? It has dropped between 1978 and 1981 by 8.5 percent as far as we can tell.

Mr. BAUER. We can only venture a guess. There's a great deal of polling data that shows that, over the years, there has been a change in the attitudes of parents as to who bears the ultimate responsibility for the education of their children.

I think that as the cost of higher education has gone up, some parents have been discouraged from trying to save and have ultimately concluded that the Federal Government, through one program or another, would pick up the great bulk of the cost.

That's one of the reasons the administration has supported the idea of an education savings account, to try to turn around those attitudes. We have also promoted the self-help concept to try to get the message across——

Senator PROXMIRE. Did that change of attitude happen in the 3 years between 1978 and 1981?

Mr. BAUER. No; I think for some time there has been a change in parental attitudes about who bears the ultimate responsibility and the main responsibility for saving for higher education.

Senator PROXMIRE. Was there that much of an increase in Federal assistance for higher education during that period?

Mr. BAUER. Overall assistance continued to go up.

Senator PROXMIRE. It went up, but I wonder if it went up that substantially.

Dr. ELMENDORF. The guaranteed student loan is an example, Senator. In 1978, loan volume was around $2 billion. It nearly quadrupled, to $7.4 billion in fiscal year 1981, and then it stayed at about the $7 billion level for the last 3 years.

At that time, as you remember, before the Congress initiated the needs test for those with adjusted gross incomes over $30,000, people were borrowing under the guaranteed student loan program and were borrowing more than the actual cost of education.

Senator PROXMIRE. Well, did parents have the idea that somehow the Government ought to pay for their children's education, or did they feel that the children ought to pay for it?

If we're talking about a student loan, the children would pay for it ultimately.

Dr. ELMENDORF. I think that to the extent that the student, not the parent, borrows under the guaranteed student loan program, parents were saying students should borrow if they could get the money——

Senator PROXMIRE. They would borrow and pay for their own education.

Dr. ELMENDORF [continuing]. And pay no interest on it for 4 years, and then have 10 years to pay it back at a very low interest rate. I mean, as a parent who's——

COLLEGE HOUSING LOANS

Senator PROXMIRE. Mr. Elmendorf, last year the Senate adopted my amendment to raise the rate of interest charged schools under the housing loan program from the current 3 percent to the Treasury's cost of borrowing at the time the loan was made. My proposal was part of last year's housing amendments reported by the Senate Committee on Banking.

Unfortunately, the provision was dropped in conference. The budget justifications advise that the Department intends to propose transferring this program from the Housing Act to the Higher Education Act and increasing the rate of interest to 9 percent.

Now, while I can understand your reasons for proposing an interest rate increase, what do you gain by the statutory transfer?

Ms. KIRKGASLER. It's our thinking that it would be administratively useful to have all of our facilities construction programs under the authority of the Higher Education Act and governed by the same general provisions.

Senator PROXMIRE. That's one way to look at it. The other way is that it's a housing program rather than an education program——

Ms. KIRKGASLER. Yes, sir.

Senator PROXMIRE [continuing]. Yet you plan to transfer it from the Housing Act.

Would the education community be more receptive to changing the program? It seems to me it's easier to sell a 9-percent interest rate if we treat it as a housing program rather than an education program. The experts in this area are in the housing area, I think.

Ms. KIRKGASLER. The program was originally administered by the Housing and Urban Development Department, but was transferred, and we are currently administering it.

Senator PROXMIRE. What was the total amount in default under the college housing program in fiscal 1983 and how much of this delinquent debt was collected during that period?

Ms. KIRKGASLER. I'm afraid I don't have it right in front of me.

Dr. ELMENDORF. We have loaned out approximately $3.025 billion under this program. About $114.7 million is in default, which is a 3.79-percent default rate.

Senator PROXMIRE. What are your collection goals for the current fiscal year?

Dr. ELMENDORF. I believe it is about $185 million, which would include both current and delinquent billings.

Senator PROXMIRE. And how about fiscal 1985?

Dr. ELMENDORF. $189.7 million.

Senator PROXMIRE. That's for 1985?

Dr. ELMENDORF. Yes; and 1984 is $185.5 million.

GSL NEED ANALYSIS

Senator PROXMIRE. Now, Dr. Elmendorf, you propose to eliminate the $30,000 income cap and make all students subject to a need analysis under the guaranteed student loan program. The justification says that one of the reasons for this proposed modification is because unnecessary borrowing is still possible for students from families with incomes below $30,000.

The Congressional Budget Office reports that 800,000 of the program's 2.8 million borrowers would either be ineligible for a loan under this program proposal or have their loan amount reduced. CBO further reports that the vast majority are independent students, part-time students and students who attend low-cost 2-year schools.

What data do you have to suggest that these students are unnecessarily borrowing funds under this program?

Dr. ELMENDORF. Basically, in that program, Senator, students from families with incomes under $30,000 can essentially borrow what would be unmet needs or the statutory maximum loan amount, whichever is less, without taking into account the expected family contribution from the parent. That makes a major difference between those over $30,000 and those under $30,000.

Those over $30,000 have to take a needs test and the parental contribution is considered in determining eligibility for a GSL. The remaining need is the difference between what it costs to attend the institution and what can be contributed by the parent from all sources.

Those under $30,000 essentially are automatically eligible for a GSL. The parent's contribution is not taken into account when determining the amount of the loan. Rather than some of the costs being paid by the parent, the costs could be borrowed by the student on the student's own signature. There is a borrowing effect there that tends to erode the traditional role of the parent.

I think Mr. Bauer was alluding to that in the answer to his question—that parents somehow have the expectation that the student can

borrow the money that would normally be their contribution, their expected contribution.

Senator PROXMIRE. I can see that parents with an income of over $30,000 should contribute but if a family has an income of under $30,000, it seems to me that that's a pretty good indication that they would have to borrow.

Dr. ELMENDORF. They may have to borrow, but the amount that they would borrow may not be the full $2,500. It may be a lesser amount which would be the difference between what it costs to attend that institution and what the parent's contribution and all other sources of aid come to. The difference is what they can borrow.

Now they are borrowing the difference and the parent's contribution, which is usually the first thing you put into packaging aid for students.

ADMINISTRATIVE COSTS OF GSL NEED ANALYSIS

Senator PROXMIRE. What additional administrative costs are associated with this proposed change?

Dr. ELMENDORF. To administer the needs analysis?

Senator PROXMIRE. You now require no needs analysis if a family's income is below $30,000. Under your proposal if a family's income was below $15,000 or $10,000, you would still require an analysis to determine whether or not there was a real need.

Wouldn't it be easier to have some kind of rule of thumb?

Dr. ELMENDORF. The rule of thumb is that, generally, at under $30,000, most of the students are already borrowing or working or getting grant money, which means they have already filled out the form anyway, the needs analysis form, to determine eligibility for one of the other aid programs.

So the burden on the under $30,000 group is nowhere near as great as it would be for those over $30,000, in that those over $30,000 who were borrowing and not filling out the needs analysis form now have to. At under $30,000, they were already filling it out.

Senator PROXMIRE. Have you looked at the administrative costs?

Dr. ELMENDORF. To institutions for doing that?

Senator PROXMIRE. No; the administrative costs on your part. The great advantage of saying that families with incomes under $30,000 don't have to meet a means test is that you don't have to administer the program in detail. Your proposal is an expensive approach.

It seems to me you ought to have some kind of documentation to show that the administrative costs are not excessive.

Dr. ELMENDORF. We'll certainly take a look at that.

Senator PROXMIRE. OK.

Thank you, Mr. Chairman.

OTHER POSTSECONDARY EDUCATION ACCOUNTS

Senator WEICKER. Thank you, Senator Proxmire.

We have remaining for discussion guaranteed student loans, higher and continuing education, higher education facilities loans, and insur-

ance college housing loans, and we also have education research activities overseas.

Are those the remaining categories?

Dr. ELMENDORF. Yes, sir.

Senator WEICKER. Since some of these things have already been hit upon, why don't we get your statements in all of these categories, whatever additional personnel you want to have up here with you, and just handle them all as one great big package here.

So if you want to call up additional personnel, we just can handle the whole package of responsibilities.

Dr. ELMENDORF. Let me go through the GSL statement first and keep these people here with me. Then I'll go directly to a change of personnel and move into all of the other accounts.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. OK. Questions submitted for the record on student financial assistance will be included in the record at this point.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

STUDENT FINANCIAL ASSISTANCE

STUDENT AID SUPPORT

Question: In fiscal year 1984, we appropriated $3,986,860,000 for student aid programs. The budget you are proposing for fiscal year 1985 contains net reductions of $332 million. I recently read that tuition is expected to go up 8 percent next year. Why then should the Congress support a budget which would reduce student aid by 8 percent?

Answer: Although there is a decrease in the appropriation requested for the student financial aid programs, the amount of aid available to students is not being decreased. In fact, the amount of aid available in fiscal year 1984, including Guaranteed Student Loans, is expected to increase by $80 million.

The Department has designed the Pell Self-Help Grant program to target grant assistance on the lowest income students rather than support middle income students at low cost schools through grants. For the latter students, loans and an expanded Work-Study program would be available. Overall work and loan aid available would increase under our proposals while grant aid available would decrease. To some extent, then, self-help assistance is replacing grant assistance for the less needy students.

Question: How many fewer Pell Grants would be made under your proposal in FY 1985 than are available in FY 1984?

Answer: Under our proposals, 2,294,000 students would receive Pell Self-Help Grants in fiscal year 1985 compared to 2,584,000 in fiscal year 1984. This is a decrease of 290,000.

Question: What is the current purchasing power of a Pell Grant today compared to 1972 given the escalating costs of post-secondary education?

Answer: The maximum award in 1973-74, the first year of operation of the Basic Grant program, was $452 after statutory reduction. In fiscal year 1982 dollars, this converts to $1,040, far less than the $1,800 maximum award in fiscal year 1982. In 1974-75, the maximum award was $1,050 after statutory reduction. In 1982 dollars this converts to $2,270. These figures are based on increases in consumer prices, not inflation of education costs which is no longer calculated by the Department. Note that Pell Grant expenditures have increased fifty-fold since the first year of operation and that appropriations for all student aid programs have increased by nearly 600 percent from 1973 to 1983. Also note that our proposed $3,000 maximum award more than keeps pace with inflation since either 1973-74 or 1974-75.

PELL GRANTS

Question: The Analysis of Social Spending Trends in the "Budget of the United States" pointed out that student aid programs had not contracted as much as other programs since 1981:

"...The degree of reduction through 1984 is still far less than is consistent with the merits of funding largely middle income students."

My question concerns the accuracy of that statement in the budget. According to your own budget, 85.7 percent of Pell Grant recipients are from families with an income of $20,000 or less and they receive 91.3 percent of all Pell Grant funds. Furthermore, your budget documents indicate that 73 percent of those who receive Supplemental Grants also rely on Pell Grants (page 29).

It would appear that the budget is inconsistent with the facts--unless, of course, you consider $20,000 middle income today. Would you comment on that statement?

Answer: There is no inconsistency. The quoted analysis referred not only to the Pell Grant program, but to all the student financial assistance programs, which in total serve a considerable number of middle income students. The proposals we have submitted will continue to provide grant assistance to students from families with low and moderate incomes. The reductions in grant assistance will primarily affect higher income students or moderate income students whose educational costs are very low. These students, however, will continue to be eligible to apply for assistance under need-based loan and work programs.

PELL GRANTS/FAMILY CONTRIBUTION

Question: You are proposing changes to the Pell Grant Family Contribution Schedule as part of the Administration's FY 1985 budget request.

Would this proposed change eliminate some students from eligibility for the Pell Grant or reduce their Pell awards?

Answer: Under the Administration's proposed self-help grant proposal families will be expected to contribute a larger portion of their discretionary income to financing educational costs. The assessment rates on discretionary income are proposed at 18, 20, 25, and 30 percent for each income increment of $5,000. These higher assessment rates will eliminate some middle income students attending low and moderate cost institutions from qualifying for a Pell Grant and other middle income students attending these institutions may receive smaller awards. Moreover, eligible middle-income students attending high cost schools will receive larger awards than they currently do. The neediest students, those whose families can make no contribution to educational costs, will receive larger awards at both low and moderate cost schools.

PELL GRANTS/COST OF ATTENDANCE

Question: The Student Loan Consolidation and Technical Amendments Act of 1983, P.L. 98-79 changed the definition of Cost of Attendance for the Pell Grant program.

How has that change affected determination of an individual award?

Answer: The Student Loan Consolidation and Technical Amendments Act of 1983 (P.L. 98-79) requires that the allowance for room and board expenses for students not residing at home with their parents or in institutionally owned or operated housing shall be a standard amount determined by the institution which shall be at least $1,100 but not greater than $1,600. This amendment to the cost of attendance rules governing the Pell Grant program will be effective with the awarding of financial assistance for the 1984-85 academic year only.

Since awards for the 1984-85 academic year are not made until July 1, 1984, we do not have actual data to determine the effect on individual awards due to the change in the cost of attendance allowances. However, based on our preliminary estimates using a cost projection model we believe that independent students attending low-cost institutions who live off-campus and commute to school will be the primary beneficiaries of the change in the cost of attendance rules. These students should receive larger awards than under the previous cost of attendance rules. In general, this provision will add $120 million to the cost of the Pell Grant program.

Question: Will it change the ultimate distribution of Pell Grants by income level and type of institution attended?

Answer: We do not believe that the cost of attendance rules for 1984-85 will significantly change the distribution of Pell Grants by income level or type of institution. The students who will benefit the most from the cost of attendance rules will be the independent lower income student attending a low-cost institution, such as a community college, who lives off-campus and commutes to school.

PELL GRANTS/PUBLIC VS. PRIVATE SCHOOLS

Question: What is the participation rate in the Pell Grant program by control of institution--i.e., public vs. private?

Answer: Using data from the 1983-84 academic year, which is our most recent processing cycle for the Pell Grant program, we find that 28.5 percent of institutions participating in the Pell Grant program are public, 31.4 percent private and 39.8 percent proprietary. While these figures relate to number of institutions, they do not represent the proportion of students by their control of institution who receive Pell awards.

Note that virtually every public and private institution in the country participates in the Pell Grant program. It is impossible to determine the proportion of proprietary schools which participate in the Pell Grant program.

Question: Which institutions benefit most in your view from the current Pell Grant formula, that is, the $1,900 maximum, 50 percent cost limitation, and $2.8 billion FY 1984 appropriation?

Answer: If by an institution's "benefit" we mean that portion of the student's cost of education which is covered by a Pell Grant, then schools which cost $3,800 or less (including living expenses) benefit most by the current program. This is because the 50 percent of cost award rule combines with the $1,900 maximum

so that a student's award cannot rise once his or her cost equals $3,800. Under the current law, the Pell Grant maximum of $1,900 would cover 24 percent of the student's cost at an institution costing $8,000, but 50 percent at an institution costing $3,800. In both cases students with no expected family contributions receive $1,900.

Our proposed Pell Self-Help Grant program would provide a maximum award of $3,000 and award rules which are more sensitive to cost than under current law. Under our proposed program, the maximum award would be reached when the student's cost of education reached $8,000. Under our proposals, a student attending an institution costing $3,800 would receive an award of $1,950, an increase of $50 over current law, and would receive $3,000 or 38 percent of cost at an $8,000 cost institution.

Our main concern, we must emphasize, is to assist students, not institutions. The student is free to use his Pell Grant at the institution of his choice.

Question: Do you anticipate any changes in the type of institution that would be attended by students, if your "Self-help" proposal were accepted?

Answer: It is difficult to predict student behavior, but on the whole we do not anticipate any major change in student attendance patterns. Middle-income students at low-cost schools would receive lower awards under our fiscal year 1985 Pell Grant proposals. However, it is unlikely that these middle-income students would either drop out of school (or attend more expensive schools) because of slightly decreased grant support. This is especially true given federally subsidized loan support.

Low-income students at all cost institutions would receive increased awards. Since awards increase as cost of education increases, some low-income students may decide they can afford to attend a somewhat higher-cost school than they could under current law. The student could just as likely decide, however, that he or she is more financially comfortable with an increased grant award at a lower cost school.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)

Question: The Supplemental Grant formula is based in part on cost of attendance. As a result, private institutions have received a large proportionate share of funds. The new Work-Study proposal would allow up to 50 percent of the Work-Study funds to be used for grants--but, the formula would change and some schools would receive substantially less.

Under the budget, you are proposing to eliminate the $375 million appropriated for Supplemental Grants and increase Work-Study funds by $295 million (from $555 million in 1984 to $850 million in 1985). The formula for Work-Study would eliminate the provision in current law which holds individual schools harmless from reduction.

What would happen to higher-priced private schools which have tended to receive larger proportions of the Supplemental Grants, since you are eliminating them and dropping hold-harmless language?

Answer: In the legislative amendments which accompany the fiscal year 1985 budget, the Department has proposed major changes to the way in which funding for the Work-Study program is allocated to States. Under current law, funds are allocated to States on the basis of a complex formula based on factors relating to relative proportion of national higher education enrollment, high school graduation, and children living in families whose incomes are $3,000 or less. A hold-harmless provision maintains the States allocation at no less than the fiscal year 1972 level. Institutional allotments are based on teh funds available to the State in which the institution is located, on the institution's past use of funds, and on current reported student need. In addition, there is a 1979 institutional hold-harmless provision.

The proposed legislation would basically use the Supplemental Grant formula to distribute funds to States--full-time equivalent enrollment. A hold-harmless provision would be included to assure that States would not receive less Work-Study funds than they received in fiscal year 1984. The funds would then be awarded to institutions within each State on the basis of current student need.

The proposal to distribute Work-Study funds using full-time equivalent enrollment would relate State funds more directly to potential recipients. The 10 percent Secretary's discretionary allocation would be abolished and all funds would be distributed on the basis of an objective State formula. Also, the increase of $295 million in Work-Study funds would generate almost $370 million in additional aid funds, as a result of the 20 percent institutional match. Therefore, almost the same amount of aid would be available in 1985 as in 1984.

Due to the proposed State formula, some shifting of dollars would occur among States and institutions. Those institutions with demonstrated need (cost minus student resources) would continue to qualify for substantial aid funds. In addition, the cost-sensitive nature inherent in the Pell Self-Help Grant proposal would provide more Pell Grant funds for low-income students at higher cost schools.

Question: Is this the reason why Connecticut, which received $12,769,000 in combined Work-Study and SEOG funds in 1984 will receive only $10.1 million in Work-Study alone in 1985 and Massachusetts will be reduced from $52.7 million to $32 million?

Answer: The proposed State allocation formula for 1985 would be completely based on full-time equivalent enrollment. Under this proposal, Connecticut which is estimated to receive almost $12 million in 1984 from the combined appropriation of $930 million--$555 million for Work-Study and $375 million for Supplemental Educational Opportunity Grants--would qualify for $10 million from an appropriation of $850 million. Massachusetts which is estimated to receive over $52 million in 1984 would receive $32 million in 1985.

Currently, the 1984 campus-based funds are allocated on the basis of three separate formulas. If they were awarded on the

basis of full-time equivalent enrollment, States would receive approximately $119 per full-time equivalent (FTE) student. Some States will receive considerably more than this in 1984. For example, under the campus-based program funding, Massachusetts will receive approximately $192 per FTE student and New Hampshire will receive $227. On the other hand, New York will receive $115 and California $89 per FTE student.

Under our 1985 proposal, some States such as Massachusetts and Connecticut would lose some of the campus-based funding that they received in previous years. These States would receive increased amounts of Pell Self-Help Grant assistance, however, which does not show up in a comparison of campus-based aid.

COLLEGE WORK-STUDY

Question: You are proposing, also, to increase the College Work-Study program by $295 million (to $850 million) and at the same time to eliminate the separate funding for the Supplemental Educational Opportunity Grant program (SEOG). You would, however, allow institutions to use up to 50 percent of their Work-Study allocations for SEOGs if they wish. In essence, you would be "block granting" the SEOG and Work-Study programs.

Your budget states that "should all institutions use the maximum amount to make grants, $425 million would be available for SEOGs which is $50 million more than is available for SEOGs in FY 1984."

If all schools did use 50 percent of their Work-Study allocation for Supplemental Grants, wouldn't it also be true that there would be $130 million less that would be available for Work-Study than is currently available in FY 1984?

Answer: It is correct to say that if institutions choose to use the Work-Study appropriation to increase Supplemental Educational Opportunity Grant program (SEOG) funding by 50 percent, there would be $130 million less in fiscal year 1985 for Work-Study than in fiscal year 1984.

However, because of institutional matching requirements and allowable administrative expenses, the appropriation level differs from the amount of aid actually available to students. In fiscal year 1984, aid available under the two program totalled $991 million. In fiscal year 1985, the requested appropriation of $850 million would make available $964 million in financial assistance. This is a decrease from fiscal year 1984 of only $27 million in aid available in the two programs.

COLLEGE WORK STUDY/AVAILABILITY OF JOBS

Question: Is it possible to obtain an accurate description of the kinds of jobs offered under the College Work Study program? Is there any method of determining whether or not the College Work-Study jobs are related to the career goals and the eventual occupation of an individual?

Answer: The development of employment and the placement of Work-Study students occurs strictly at the campus level and the Department of Education has not collected data on the types of

jobs offered under the College Work-Study program. We know, however, that typical student Work-Study jobs on and off-campus would include non-professional positions in library work, office work and day care.

While we encourage placement of students in career-related jobs, it is not required by law. However, through contact with financial aid officers we know that schools try to match students' jobs to their career goals and fields of study, although this is not always possible.

Question: Are jobs in abundance on college campuses?

Answer: The Department does not collect data on the number of jobs available on college campuses, nor would it be feasible to do so except on a case by case basis. However, as the table below illustrates, each year institutions request work-study funds far in excess of appropriated amounts. We assume from this that institutions could place many more students in Work-Study positions if more funds were available.

Fiscal Year	Institutional Requests*	Appropriations*
1982	$1,185	$528
1983	$1,355	$590
1984	$1,295 (preliminary data)	$555

*($ In Millions)

Question: We have heard criticism that institutions are having difficulty finding and creating jobs now. Can we be assured that an increased appropriation will result in institutions finding sufficient and adequate employment for students?

Answer: The Department is confident that increased appropriations for the Work-Study program will be well used by institutions of higher education. As mentioned earlier, institutional requests for Work-Study funds exceed available funds by more than two-fold. Recall that institutions will be allowed to use up to $100,000 of their Federal appropriation for Cooperative Education awards, the Job Location and Development program and the adult literacy effort. The institution may use these funds for one of these programs or any combination thereof.

Also, under the fiscal year 1985 proposals, institutions will have the flexibility to use up to 50 percent of their Work-Study funds for Supplemental Education Opportunity Grants. It is unlikely that any Work-Study appropriations would go unused.

Question: To what extent are off-campus jobs being used?

Answer: The Department is no longer authorized to collect data on the proportion of on-campus and off-campus Work-Study employment. However, the latest data available, award period 1980-81, indicates that 11 percent of the total Work-Study earnings went to students with off-campus jobs.

Question: To what extent has tutoring of illiterate adults been a part of the College Work-Study program?

Answer: There is very little indication that Work-Study funds in the past have been used for tutoring illiterate adults. The Office of Postsecondary Education is currently conducting a pilot adult illiteracy initiative within the Work-Study program. Eighteen institutions have been awarded a $20,000 Work-Study supplemental grant each to use in the literacy effort in which college students will be trained to teach functionally illiterate adults to read and write.

The National Commission on Excellence in Education estimates that more than 23 million people in the United States are functionally illiterate. The numbers of illiterates are swelled each year by nearly one million young people who drop out of school.

NATIONAL DIRECT STUDENT LOANS (NDSL)

Question: Your budget includes a request that we provide no new Federal funding for capital contributions to the National Direct Student Loan program (-$161 million), but maintains that new loans will continue to be made from payments to the revolving fund from prior loans.

How many fewer loans will be made in the NDSL program in FY 1985 based on your proposal, than will be made in the current year?

Answer: In fiscal year 1984 we estimate that 880,600 students will receive loans averaging $800 in Direct Loans. These funds are available from a combination of Federal appropriations and collections from prior loans. In fiscal year 1985 we estimate collections of $585 million will provide 731,400 loans, averaging $800, which is approximately 149,200 fewer Direct Loans than in 1984.

During this same period an increase of over $350 million in Guaranteed Student Loan funds available for student loans is projected which would offset reductions in the Direct Loan program.

LOANS AS SELF-HELP

Question: Since the cornerstone of your self-help proposal is to require that students provide the greater of $500 or 40 percent of education costs before receiving a grant, and since loans can be used to meet the self-help requirement, what is the rationale for limiting the number of new loans that can be made?

Answer: Sufficient loan funds should be available as a resource to be used for the self-help requirement. In the Direct Loan program, there will be approximately $585,131,000 available for 731,400 new loans from repayment monies to revolving funds. In addition to the Direct Loan program, we have requested an additional $584 million for the Guaranteed Student Loan (GSL) program. In our 1985 budget proposal, we anticipate an increase of $352 million in GSL loan funds available to students. From these two sources students should have no difficulty in obtaining adequate loan funds.

Question: What is the income range of students participating in the National Direct Student Loan program?

Answer: The latest year for which data are available is 1981-82. For that year, the breakout by income for the Direct Loan program is as follows:

Undergraduate Dependent	Recipients
$ 0- 5,999	54,109
$ 6,000-11,999	76,847
$12,000-17,999	85,838
$18,000-23,999	86,145
$24,000-29,999	72,000
$30,000 & over	77,244
Independent*	218,312
Graduate	79,771
Total	750,266

* The Department does not collect data for independent students by income category.

GSL AND DIRECT LOANS

Question: Is it possible for a student to be ineligible for a Guaranteed Student Loan but be able to receive an NDSL?

Answer: Generally, any student who is eligible for a Direct Loan is also eligible for a Guaranteed Student Loan (GSL). However, a guaranteed loan is only available to a student if there is need (cost minus resources). Need for a GSL is calculated for students whose family income is over $30,000 under approved need analysis systems. Therefore, in the case where a student, whose family income was $30,000 or more, had met his entire cost of education with a student aid package that included a Direct Loan, but not a guaranteed loan, that student would not be eligible to receive a GSL.

Question: From both the students' and institutions' perspective, what are the advantages of the NDSL program compared with the GSL program?

Answer: From the student's perspective, a direct loan would have the advantage over a guaranteed loan in two ways: (1) lower interest rates (5 percent compared to 8 percent) and (2) cancellation benefits for specific teaching and military service activities. There are also some technical advantages in repayment provisions.

For both the student and the institution, direct loan funds available and administered on-campus can be tailored more effectively to an individual student's aid package.

From the institution's point of view, direct loan funds available in institutional revolving accounts from payments from prior loans provide a stable source of aid funds independent of annual Federal appropriations.

STATE STUDENT INCENTIVE GRANTS

Question: The Reagan Administration's FY 1985 budget requests no funding for the State Student Incentive Grant program, using the rationale that most States overmatch the Federal contribution, and therefore no further Federal funding is necessary.

Are there some States that depend totally upon Federal funds and the required State match to support their original State need-based student aid programs?

Answer: Yes, 14 States use Federal funds and the required State match as the only source of funds for their State need-based student aid programs.

Question: How many States overmatch their Federal State Student Incentive Grant funds?

Answer: Thirty-eight of the 52 major State Student Incentive Grant (SSIG) jurisdictions overmatch their Federal SSIG allotment. They are as follows:

Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Illinois
Indiana
Iowa
Kansas
Kentucky
Michigan
Minnesota
Missouri
Maryland
Massachusetts
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Puerto Rico
Rhode Island
South Carolina
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin

Question: Have some States failed to meet the 50-50 matching requirement of the State Student Incentive Grant program thus forfeiting their Federal grant?

Answer: Altogether, 11 States did not meet the full 50-50 State Student Incentive Grant (SSIG) matching requirement for the 1982-83 program year. In the 1983-84 program year, most States have asked for additional funds and expect to meet and use their full 50-50 match.

Question: How much funding has actually been reallotted to the States because of the failure to meet the matching requirements?

Answer: Eleven States released $585,263 from the 1982-83 State Student Incentive Grant (SSIG) program funds for reallotment to other jurisdictions. This amount represented 9 percent of the total amount allotted to those 11 States.

Question: In redesigning your student aid formulas, one of the stated goals is to provide students with a greater choice in selection of schools. By eliminating funds for programs such as supplemental grants which are currently tuition sensitive, by cutting the Direct Loan program and eliminating State grants, it would appear that your proposals would do just the opposite. There will be less money available, resulting in fewer students served and the higher cost schools may have less available to offer attractive packages to the needy student, resulting in less choice.

Is this not true?

Answer: No, we do not believe this is true. Although there is a decrease in the funding requested for the Pell Grant and campus-based aid programs, the amount of overall student aid actually available to students is not being decreased. When one considers the total amount of aid available under the fiscal year 1985 proposals including Guaranteed Student Loans, there is an increase in the amount of aid which students will receive, even though appropriated amounts are somewhat less. In fiscal year 1985 our proposals will provide $11,893,000,000 to students, a $80,000,000 increase over the fiscal year 1984 level of $11,813,000,000.

Regarding the Supplemental Grant program, it is not very tuition sensitive. Students are awarded Supplemental Grants based on financial need and institutions vary the student's Supplemental Grant award considerably. The Pell Self-Help Grant proposal would provide needy students with additional grant assistance through an increased maximum grant of $3,000 which would be far more cost sensitive than either the current Pell Grant program or the SEOG program. This would provide needy students with the choice to attend a higher cost institution and the award would be based on a uniform determination of need.

Students would also be provided more work opportunities through an expanded Work-Study program. Funding for the SEOG program is not being eliminated however. Institutions would have the flexibility to meet the individual needs of their students through increased authority to transfer up to 50 percent of their Work-Study allocation to the Supplemental Educational Opportunity Grant program if they choose. Finally, $585 million would be available through the Direct Loan program in fiscal year 1985. This would provide over 730,000 students with new loans without the need for new Federal capital contributions.

Questions Submitted by Senator William Proxmire

PELL GRANT--NEW SELF-HELP PROPOSAL

Senator Proxmire: Under the proposal submitted last year to restructure Pell Grants, students were expected to contribute at least $800 towards their educational costs. This year, the minimum self-help requirement has been reduced to $500. Can you tell us why you decided to reduce the student contribution and how you decided that $500 was the right amount?

Answer: Last year, the Department's Pell Self-Help proposal recommended that students contribute a minimum of $800 or 40 percent of educational costs before receiving Federal grant assistance. The Department felt at that time that $800 was a reasonable self-help expectation that many students could meet through a variety of sources including summer employment, private and federally subsidized loans, and work-study. Under the approved need analysis systems used to determine eligibility for campus-based programs (Supplemental Grants, Direct Loans, and Work-Study), students are currently expected to contribute an amount between $700 and $900, depending on their year in college. The $800 requirement was a mid-range figure. Also, we estimated that the average Work-Study award would be approximately $800 so that the minimum self-help requirement could be covered by Work-Study earnings.

After listening to comments from the financial aid community, particularly at the hearings the Department held last summer reauthorization issues, it appears that there was substantial support for reducing the minimum self-help contribution. Again, under this year's proposals, students can meet their self-help requirement through any combination of work or loans.

Senator Proxmire: Although I support the self-help concept, wouldn't the proposed 40 percent self-help requirement impose financial hardships on students with family income between $6,000 and $25,000 who want to attend high-cost institutions?

Answer: For low-income students, the Pell Grant program rule that students must contribute 40 percent of their educational costs is a liberalization from current law. Currently, the student must contribute at least 50 percent of his cost, due to the halfcost rule. Moreover, few students currently fund more than 60 percent of their cost of education through the combination of Pell Grants and SEOG. The proposed 60 percent limitation on overall grant funding will not, therefore, impose a hardship.

Many students with family income levels between $6,000 and $25,000 attending moderate and higher-cost institutions already receive additional financial assistance such as Work-Study and subsidized loans to meet their educational costs. These additional sources of financial assistance will continue to be available and can be used to meet the self-help contribution.

Once again, many students presently must contribute more toward their educational costs than they would have to under the fiscal year 1985 proposals. This is especially true for low-income students who can receive the maximum $3,000 award. Students from all income categories can continue to meet their remaining educational costs through summer earnings, private and federally-subsidized loans, savings, work-study and institutional aid.

LOAN CANCELLATIONS--DIRECT LOAN PROGRAM

Senator Proxmire: The $4 million requested under the teacher cancellation program will reimburse institutions for their share of cancelled loans made to borrowers who subsequently undertook specified types of teaching or military service. This is $15.8 million below the current appropriation level and assumes enact-

ment of your proposal to modify existing law. How much will this program cost if Congress does not adopt the proposed change?

Answer: The Administration's proposed legislation would restore the policy existing prior to 1972 which would limit payments to institutions for cancelled Direct Loans to that portion of the loan which represents institutional funds only. Currently, Federal payments reimburse institutions for both the institutional and Federal portion of the loan cancelled. In 1985, the Department estimates payments of $23 million in Direct Loan cancellations and $2 million in Defense Loan cancellation. Without enactment of our proposed legislation, a total of $25 million would be needed for cancellation payments.

STATE STUDENT INCENTIVE GRANTS

Senator Proxmire As your testimony points out, under the State Student Incentive Grants program, the Federal appropriations was not intended as a maintenance contribution but as a "start-up" stimulus for States to initiate their own programs. You go on to advise that all States now have grant programs with most States considerably overmatching the Federal contribution. Can you tell us how many States overmatch?

Answer: In 1983-84, 38 of the 52 major State Student Incentive Grant (SSIG) jurisdictions (including Puerto Rico and the District of Columbia) overmatched their Federal SSIG allotment. In 33 jurisdictions, SSIG funds represented less than 25 percent of their total State need-based aid. In 5 jurisdictions, SSIG funds represented 25 to 49 percent of their total State aid.

Senator Proxmire: For the record, let us have a State by State breakdown for fiscal years 1982, 1983 and 1984. What I'm looking for is the total Federal contribution each State received and the total State contribution as well as the total number of students receiving aid for each of the three years.

Answer: The following charts indicate by State the total Federal SSIG payout and the total amount of need-based awards, excluding Federal contributions, for 1982-83 and 1983-84. The SSIG State allotments for 1984-85 are also attached.

Federal and State Funds in Need-Based State Student Grants
1982-83

	Source of Funds		Recipients
	Federal SSIG Funds 1/	State Funds Need-Based 2/	(@ $500 per Award) 3/
TOTALS	73,635,589	942,964,065	2,033,200
Alabama a/	792,923	792,923	3,172
Alaska a/	116,968	116,968	468
Arizona a/	1,203,564	1,203,564	4,814
Arkansas	465,867	1,868,789	4,669
California	11,394,921	82,444,380	187,679
Colorado	1,011,568	7,067,744	16,159
Connecticut	964,703	8,095,297	18,120
Delaware	229,236	444,764	1,348

	Source of Funds		Recipients
	Federal SSIG Funds 1/	State Funds Need-Based 2/	(@ $500 per Award) 3/
District of Columbia	536,335	558,682	2,190
Florida	2,318,513	11,747,050	28,131
Georgia	1,286,446	3,358,430	9,290
Hawaii a/	270,040	270,040	1,080
Idaho	244,875	248,287	986
Illinois	4,003,932	91,167,368	190,343
Indiana	1,472,554	27,977,215	58,900
Iowa	796,446	16,495,202	34,583
Kansas	820,876	4,310,350	10,262
Kentucky	904,750	5,651,950	13,113
Louisiana a/	1,030,046	1,030,046	4,120
Maine a/	263,918	263,918	1,056
Maryland	1,342,992	4,839,608	12,365
Massachusetts	2,381,909	15,254,091	35,272
Michigan	3,062,076	29,193,236	64,511
Minnesota	1,432,615	29,483,973	61,833
Mississippi	648,266	849,235	2,995
Missouri	1,464,019	7,344,971	17,618
Montana a/	197,613	197,613	790
Nebraska	531,123	729,921	2,522
Nevada a/	175,836	175,836	703
New Hampshire	255,235	323,443	1,157
New Jersey	1,942,829	45,931,166	95,748
New Mexico	376,056	623,944	2,000
New York	6,269,038	296,330,962	605,200
North Carolina	1,592,941	2,602,474	8,391
North Dakota	198,452	521,863	1,441
Ohio	2,919,299	30,936,701	67,712
Oklahoma	991,546	8,163,403	18,310
Oregon	951,552	8,139,708	18,183
Pennsylvania	3,266,704	85,773,296	178,080
Rhode Island	390,948	6,432,052	13,646
South Carolina	801,401	12,179,831	25,962
South Dakota a/	209,020	209,020	836
Tennessee	1,199,495	6,123,300	14,646
Texas	4,040,955	35,596,474	79,275
Utah	587,289	587,289	2,349
Vermont	186,053	6,310,522	12,993
Virginia a/	1,568,242	1,568,242	6,273
Washington	1,680,881	4,744,119	12,850
West Virginia	538,023	3,656,758	8,390
Wisconsin	1,535,618	21,501,282	46,074
Wyoming a/	63,254	63,254	253
American Samoa	5,259	736,241	1,483
Tr. Ter. & N.M.Is.	1,636	1,704	7
Guam	23,339	211,661	470
Puerto Rico	662,245	10,500,000	22,324
Virgin Islands	13,349	13,905	55

1/ From State Student Incentive Grant (SSIG) program records.
2/ From National Association of State Scholarship and Grant Programs (NASSGP) Survey Report and SSIG Program Records.
3/ Calculated to facilitate comparison of number of recipients among States.
a/ 11 States returing unmatched SSIG funds in 1982-1983 for allotment to other qualified States.

Federal and State Funds in Need-based State Student Grants
1983-84

	Source of Funds		Recipients
	Federal SSIG Funds 1/	State Funds Need-Based 2/	(@ $500 per Award) 3/
TOTALS	60,000,000	1,020,837,607	2,161,677
Alabama	892,218	892,218	3,569
Alaska	95,251	95,251	381
Arizona	1,020,818	1,020,818	4,083
Arkansas*	379,371	1,803,467	4,366
California*	9,212,635	83,686,828	185,799
Colorado*	818,789	7,182,310	16,002
Connecticut*	780,856	8,669,144	18,900
Delaware*	159,971	484,229	1,288
District of Columbia	436,755	436,755	1,747
Florida*	1,876,665	12,158,335	28,070
Georgia*	1,041,283	2,699,222	7,481
Hawaii	246,386	246,386	986
Idaho	200,799	200,799	803
Illinois*	3,240,887	101,347,913	209,178
Indiana*	1,199,149	21,430,000	45,258
Iowa*	644,664	19,623,778	40,537
Kansas*	664,438	4,000,000	9,329
Kentucky*	732,329	7,495,854	16,456
Louisiana	853,746	853,746	3,415
Maine	214,917	214,917	860
Maryland*	1,093,642	4,686,658	11,561
Massachusetts*	1,927,978	40,275,442	84,407
Michigan*	2,478,524	29,521,476	64,000
Minnesota*	1,159,596	42,374,000	87,067
Mississippi	507,545	507,545	2,030
Missouri*	1,185,015	7,610,451	17,592
Montana	165,309	165,309	661
Nebraska	429,906	429,906	1,720
Nevada	163,547	163,547	654
New Hampshire*	209,021	322,456	1,063
New Jersey*	1,572,577	48,706,735	100,559
New Mexico*	304,390	389,600	1,388
New York*	5,068,430	328,931,570	668,000
North Carolina*	1,302,181	3,928,025	10,460
North Dakota*	160,632	504,500	1,330
Ohio*	2,377,279	37,622,721	80,000
Oklahoma*	807,448	7,192,552	16,000
Oregon*	770,211	8,147,758	17,836
Pennsylvania*	2,635,216	83,403,582	172,078
Rhode Island*	316,443	7,076,447	14,786
South Carolina*	648,675	11,929,149	25,157
South Dakota	170,211	170,211	681
Tennessee*	970,902	6,127,100	14,196
Texas*	3,270,854	22,259,883	51,061
Utah*	445,499	754,501	2,400
Vermont*	150,597	7,175,003	14,651
Virginia*	1,277,070	2,802,250	8,159
Washington*	1,360,549	6,037,545	14,796
West Virginia*	435,490	3,954,000	8,779
Wisconsin*	1,250,503	22,281,494	47,064

	Sources of Funds		Recipients
	Federal SSIG Funds 1/	State Funds Need-Based 2/	(@ $500 per Award) 3/
Wyoming	100,574	100,574	402
American Samoa	4,282	714,718	1,438
Tr. Ter. & N.M.Is.	2,064	2,064	8
Guam	19,005	215,995	470
Puerto Rico*	536,038	9,800,000	20,672
Virgin Islands	10,870	10,870	43

1/ From State Student Incentive Grant (SSIG) program records.
2/ From National Association of State Scholarship and Grant Programs (NASSGP) Survey Report and SSIG program records.
3/ Calculated to facilitate comparison of number of recipients among States
* 38 States overmatching SSIG.

Fiscal Year 1984 Allotments (For 1984-85 Student Awards)
(State Applications Being Processed, March 1984)

SSIG Standard Allotment Table
(Based on Revised Data for Fiscal Year 1979 Hold Harmless Provision)

	Est. 1984 Allotment	Est. Student Recipients, $500 Federal and State
TOTALS	75,990,000 1/	304,000
Alabama	1,130,143	4,521
Alaska	120,651	483
Arizona	1,293,036	5,172
Arkansas	480,536	1,922
California	11,669,338	46,678
Colorado	1,037,133	4,149
Connecticut	989,084	3,956
Delaware	202,630	811
District of Columbia	553,223	2,213
Florida	2,377,108	9,508
Georgia	1,318,958	5,276
Hawaii	312,089	1,248
Idaho	254,345	1,017
Illinois	4,105,123	16,420
Indiana	1,518,922	6,076
Iowa	816,575	3,266
Kansas	841,621	3,366
Kentucky	927,616	3,710
Louisiana	1,081,412	4,326
Maine	272,228	1,089
Maryland	1,385,280	5,541
Massachusetts	2,442,106	9,768
Michigan	3,139,463	12,558
Minnesota	1,468,822	5,875
Mississippi	642,891	2,572
Missouri	1,501,019	6,004
Montana	209,391	838
Nebraska	544,547	2,178
Nevada	207,159	829
New Hampshire	264,760	1,059

	Est. 1984 Allotment	Est. Student Recipients, $500 Federal and State
New Jersey	1,991,931	7,968
New Mexico	385,561	1,542
New York	6,420,011	25,681
North Carolina	1,649,429	6,598
North Dakota	203,467	814
Ohio	3,011,220	12,045
Oklahoma	1,022,767	4,091
Oregon	975,601	3,902
Pennsylvania	3,337,941	13,352
Rhode Island	400,829	1,603
South Carolina	821,655	3,287
South Dakota	215,601	862
Tennessee	1,229,810	4,919
Texas	4,143,082	16,572
Utah	564,299	2,257
Vermont	190,756	763
Virginia	1,617,622	6,470
Washington	1,723,362	6,893
West Virginia	551,620	2,206
Wisconsin	1,583,971	6,336
Wyoming	127,393	510
American Samoa	5,425	22
Tr. Ter. & N.M.Is.	2,615	11
Guam	24,073	96
Puerto Rico	678,981	2,716
Virgin Islands	13,769	55

1/ Estimated distribution is based on the most recent revision of total enrollment in institutions of higher education, fall 1976, including proprietary schools, fall 1976 (1976-77 school year).

Senator Proxmire: Can you tell us how many students would be dropped from the program in fiscal 1985 if your proposal is adopted by Congress?

Answer: State scholarship funds are rising each year. The 1983-84 need-based undergraduate scholarship funds of $1,051,978 was 9.6 percent more than in 1982-83. State graduate scholarship funds over the same period rose 15.4 percent. If the 1984 and 1985 funds continue to increase at this rate, amounts well in excess of the $76 million appropriated for the State Student Incentive Grant program will be available for student grants and no students would be dropped from eligibility for State funds.

NATIONAL COMMISSION ON STUDENT FINANCIAL ASSISTANCE

Senator Proxmire: As you know, a few years ago Congress authorized the National Commission on Student Financial Assistance to assess the current constellation of student financial assistance programs. The Commission terminated last year after meeting its mandated congressional reporting deadline of July 1, 1983. Did the Commission recommend structural changes in any of the existing student aid programs?

Answer: The Department has reviewed the recommendations and findings of the National Commission on Student Financial Assistance. While the word "structural" is subject to many interpretations, the Department does not believe that the findings and recommendations cited by the Commission should be viewed as structural in nature. For example, the Commission conducted research on the subject of satisfactory academic progress. The Department is able to address changes in academic progress standards through the regulatory process. This would not be considered a structural change but more of an administrative adjustment.

Senator Proxmire: (If so,) have you incorporated any of these proposals into your request and if not, why not?

Answer: The National Commission contracted several studies which while not making specific proposals did recommend that the Department consider several factors in decision-making. These recommendations were considered as we developed our 1985 budget policy.

Questions Submitted by Senator Mark Andrews

TAX INCENTIVE MEASURE PROPOSED BY THE ADMINISTRATION

Senator Andrews: According to your testimony, the Administration is proposing an Education Savings Account aimed at low- to middle-income families. My concern is two-fold. First, in light of inflation and the cost of living, many of these families don't have $1,000 to set-aside for this type of investment. Second, does your proposal include limitations which might be placed on a family's level of income that would restrict those in the upper income brackets from taking advantage of this type of tax-exempt account?

Answer: You are quite right in saying that some families cannot afford to participate in the Education Savings Account (ESA) program. Typically, such families would be those who have a zero expected family contribution in the Pell Grant program and whose children would receive the very highest Pell awards.

However, a family need not save the full $1,000 to participate in the program. Any portion of $1,000 may be placed in the Education Savings Account. If a family, for whatever reason, cannot save anything, then obviously it will not be able to participate in the program. We believe, however, that most families planning to send a child to college will be able to take advantage of the new Education Savings Account we have proposed. The ESA program would be a good incentive to families to begin saving for college expenses and it would reduce the need for students to later borrow through federally subsidized loan programs to attend college. It should be noted that in the past year, the inflation to which you refer has largely abated and family incomes are beginning to show real growth.

In regard to limitations on income levels for participation, we are limiting the amount families with incomes over $40,000 can invest. This limitation is on a sliding scale and decreases by five cents for each dollar of income over $40,000. For example,

families with a $50,000 income could contribute $500 and families with incomes of $60,000 or more would be ineligible to participate.

We believe the ESA program offers a real incentive to the majority of families in America to prepare for higher education costs and we strongly support the proposal.

PELL GRANTS

Senator Andrews: Based on your proposal, the emphasis of the revised Pell Self-help Grant program will be on educational costs. In an effort to eliminate existing inequities among students who, although attending the same institution, have different financial resources, a family's expected contribution (EFC) will be taken into account. How does this pertain to students attending different institutions with varying costs? For example, will the amount received by a student, whose need may be greater, be reduced because the college or university that student attends is less costly?

Answer: A student whose financial resources are less than those of another student would most likely receive a higher award even if his educational costs are less. Because of the wide variation in educational costs, however, this may not be the case in extreme examples.

There are two factors which contribute to the student's educational financial need: first, the personal financial strength of the student and his or her family, and second, the education costs faced by the student. The proposed Pell Self-Help award would take into account both of these factors. Under current law, variation in education costs is ignored in the calculation of student's awards at schools costing $3,800 or more while at schools costing less than $3,800, variations in expected family contribution are largely ignored in determining student work.

Regarding the first element of need, all students undergo a financial need analysis to determine how much support the student and the student's family can contribute toward educational costs. This contribution is taken into account in determining the students' award. This is true under the fiscal year 1985 proposals as well as under current law. Once the level of student and family contribution has been determined, the second factor, educational cost, must be considered. This is accomplished through the award rules in which both family contribution and educational cost are factored.

The chart below shows a typical distribution of aid by cost of education and income. The examples in the chart illustrate the fact that the lower the student's income the higher the student's award is likely to be. It also shows that among students with the same incomes, higher awards would be made to students attending higher cost schools.

Family Income	Cost of Education $2,500 Current	$2,500 Proposed	$5,000 Current	$5,000 Proposed	$9,000 Current	$9,000 Proposed
$10,000	$1250	$1500	$1900	$2200	$1900	$3000
$15,000	1250	975	1575	1725	1575	2475
$20,000	1065	160	1065	910	1065	1660
$25,000	465	---	465	---	465	725

WORK-STUDY PROGRAM

Senator Andrews: Although your proposal would increase the amount for the Work-Study program by $295 million, institutions will be expected to use a portion of the amount received for the Supplemental Grant program, for which no funds have been requested. In light of this and your estimate that an additional 335,000 students will be served under Work-Study (bringing the total number of students served up to 1,205,000), how can we expect this program to continue to operate effectively?

Answer: We estimate that an additional 335,000 students would be served under the Work-Study program if institutions were to use their entire appropriation only for Work-Study. To the extent that number of Work-Study recipients would decrease and the number of Supplemental Grant recipients would increase proportionately. We do expect that institutions will use the transfer authority we are providing and we anticipate that the Supplemental Grant program will remain a viable and effective operation. It is the choice of the institution, however, to use the transfer authority in response the mix of work and grants which best suits the needs of its students.

DIRECT LOANS

Senator Andrews: How many students received Direct Loans last year and what was the average amount awarded?

Answer: During the 1982-83 academic year, approximately 809,000 loans averaging $775 were made under the Direct Loan program.

GUARANTEED STUDENT LOANS

PREPARED STATEMENT

Dr. ELMENDORF. If you would accept my statement, I'd appreciate it, and I'll just review it very briefly.

This program, as I mentioned before, is an integral part of the total overall student aid package.

Senator WEICKER. Your statement will be included in the record at this point.

[The statement follows:]

Statement of Edward M. Elmendorf

It is a pleasure to be here to discuss the budget request for the Guaranteed Student Loan account. Our budget request for fiscal year 1985 is $2,840,677,000, reflecting the propensity for rising costs in the GSL program. The principal costs, interest subsidy payments, are tied directly to Treasury bill rates and loan volume. While the President's economic program has reduced interest rates substantially, an increase in loan volume (both in-school and in repayment) increases the costs associated with interest subsidies. In addition, despite increased efforts to collect outstanding defaulted loans and reduce the incidence of default, reinsurance claims are expected to increase by approximately $227 million in 1984 and $92 million in 1985. These increases are primarily attributable to increases in the volume of loans entering repayment and subject to default.

The 1985 Budget Request

The 1985 budget strategy for the Guaranteed Student Loan program is consistent with our overall philosophy for student financial assistance of restoring the responsibility of the family and the student in financing postsecondary educational costs. The Guaranteed Student Loan program plays an integral role in this strategy by assisting students in meeting their self-help expectations. However, the integrity of the GSL program is threatened by rising interest subsidy costs, unnecessary borrowing and rising default costs. Our 1985 strategy attempts to control excessive program costs and reduce Federal cost exposure, without reducing access to loan funds. Our policy proposals are based on the following principles: that benefits should be available to all students who demonstrate need; that the States and territories which currently insure over 99 percent of the loans should share some financial responsibility for the program and should be encouraged to control administrative and default costs; and that interest subsidy payments should be directly related to actual financial obligations incurred. Enactment of the following statutory changes will address these concerns.

Need Analysis

For the regular Guaranteed Student Loan, the need analysis requirement will be extended to all family income levels. "Across-the-board" need analysis is a logical extension of current law under which students with adjusted family incomes over $30,000 are required to undergo need analysis to determine eligibility. In addition, beginning with the 1985-86 award year, any approved need analysis system used to determine eligibility for a regular loan must take into account the family's nontaxable income. If enacted, these changes will eliminate unnecessary borrowing, thus reducing Federal credit exposure, while ensuring that Federal subsidies are distributed more equitably among needy students.

Loan Advances

Guarantee agencies will be required to return all interest-free loan advances prior to October 1, 1985. In addition, no new loan advances will be made after July 1, 1984. Federal loan advances were made to guarantee agencies to help pay default claims and

establish agency reserve funds. Guarantee agencies now exist in all the States and territories. Elimination of these advances, in conjunction with our other proposals, would require the States and territories to share some financial responsibility for the GSL program. In addition, some guarantee agencies no longer require these advances to remain financially solvent, and in fact, some have already voluntarily returned these funds.

Administrative Cost Allowances

The two direct administrative cost allowances to guarantee agencies will be eliminated. Guarantee agencies would, however, continue to be allowed to retain up to 30 percent of the defaulted loans which they collect, as well as their borrower insurance premiums. These premiums provide substantial financial support for agency activities. For example in the 1982 fiscal year, insurance premium income alone offset about 93 percent of California's expenses and about 49 percent of Kansas's expenses. Our proposal will restore the principle of State cost-sharing in meeting GSL administrative costs, and encourage greater agency review and control of administrative expenses.

Reinsurance Coverage

In an effort to help control the level of defaults, we propose to reinsure loans at 80 percent, rather than up to 100 percent, while retaining all of the current policy requirements for 100 percent reinsurance. This will restore cost-sharing with the States as it existed prior to 1976, and provide greater incentives for guarantee agency improvements in default prevention and collections.

Multiple Disbursement Interest Payments

In cases where lenders make more than one disbursement of loan funds, payment of interest subsidies will be based on loan funds actually disbursed, rather than on the anticipated annual loan amount. This will tie financial benefits more closely to the actual financial obligations incurred by the lender.

Our estimate of budget authority required for 1985 of $2,840,677,000 assumes these changes take effect July 1, 1984, resulting in a savings of $17.3 million in 1984 and $221.5 million in 1985. In addition, under our proposal, loan volume is estimated to reach $7.544 billion in 1985 ($6.886 billion in regular loans and $658 million in auxiliary loans), an increase of $275 million over 1984. We also expect the number of recipients to total approximately 3.27 million--an increase of 110,000 from 1984--under our proposals.

In sum, the amendments I have outlined here will continue to support and maintain the historic Federal commitment to promoting access to and choice in postsecondary education by removing financial barriers for all students who demonstrate need, while reducing Federal costs and strengthening the integrity of the GSL program.

I or my colleagues will be pleased to respond to any questions members of the Committee may have on our 1985 budget request.

Guaranteed Student Loans

Budget Authority by Activity

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1985 Estimate
1. Insurance costs.....	--- ($97,918,000)	--- ($81,800,000)	--- ($78,760,000)	--- ($77,500,000)
2. Reinsurance costs.....	--- (405,707,000)	--- (400,700,000)	--- (633,000,000)	--- (725,700,000)
3. Interest subsidies.....	--- (2,336,540,000)	--- (2,403,000,000)	--- (2,709,000,000)	--- 2,737,000,000)
4. Other subsidies/costs..	--- (101,907,000)	--- (116,400,000)	--- (110,900,000)	--- (50,300,000)
Total.....	3,100,500,000 (2,942,072,000)	2,378,400,000 (3,001,900,000)	2,256,500,000 (3,531,660,000)	2,840,677,000 3,590,500,000)

NOTES

The 1984 President's Estimate is adjusted to reflect the Mid-Session Review of the President's Budget, June 1983. The estimate included in the President's Budget in January 1983 was $2,047 100,000 in budget authority and $2,658,300,000 in obligations.

1. The 1984 President's Estimate and the 1985 Estimate exclude amounts for activities to be transferred to Salaries and Expenses Program Administration. Comparable amounts for: 1983--$10,500,000 and 1984--$1,260,000.

Dr. ELMENDORF. We're asking for $2.8 billion to cover our costs in this program. $7.5 billion in loan capital will be made available to 3.2 million students, an increase of 110,000 recipients over fiscal year 1984.

Very briefly, we're asking for five changes in the program, only one of which affects students. It's the one that Senator Proxmire mentioned—the needs analysis.

We believe that will save us about $24 million. The purpose there, of course, is to extend eligibility for this highly subsidized program to only those students who have demonstrated that they need the money.

The other four changes directly impact the guarantee agencies that administer the program. We would ask the guarantee agencies to return all loan advances prior to October 1, 1985. That would save us about $112 million.

Those loan advances were given so that agencies could get started. We feel that, since there are 58 agencies now, there is no longer a need for those funds.

Agencies have $719 million in reserves. They would still have over $600 million in reserves after this money is returned to the Treasury.

We would also disallow any further administrative cost allowances. We would continue to allow the States to keep up to 30 percent of the amounts that they collect on defaulted loans. The savings on this would be $75 million.

The reinsurance coverage is the fourth change. We would ask, as I've stated before, that there be a sharing of the risk on defaults between the Federal Government and the agency. One hundred percent reinsurance makes the risk totally the Federal Government's. We would advocate reinsurance at 80 percent. That savings would be about $10 million.

Finally, under multiple disbursements, we would ask that any interest calculated under multiple disbursements, for those that continue to operate that way, be done only on the amount disbursed and not the total amount of the loan.

That would complete my testimony on the guaranteed student loan program, Mr. Chairman.

Senator WEICKER. Should the Congress not agree to any of the six legislative proposals you are seeking for the GSL program, how much additional budget authority would be required for this entitlement program in fiscal year 1985 above your $2.84 billion request?

Dr. ELMENDORF. That would be $221.5 million in 1985; $17.3 million in 1984.

Senator WEICKER. I'm sorry. Could you give them to me again?

Dr. ELMENDORF. For 1984, $17.3 million; for 1985, $221.5 million.

Senator WEICKER. $221.5?

Dr. ELMENDORF. Million—yes, sir.

FISL COLLECTIONS

Senator WEICKER. Could you explain how you plan to increase your collection on defaulted federally insured student loans by nearly 70 percent on a fiscal year 1984 basis; $68 million to $114 million fiscal year 1985?

Dr. ELMENDORF. Very simply stated, it is the accrual effect of having more loans that have been made in the past 3 years come into repayment status and the ability to use guarantee agencies and our own resources and private sector resources to collect more of what's out there.

We have over 600,000 accounts in the hands of private sector collectors, almost $1 billion. We are asking them to collect on "paper" what we could not collect on—this is rather new in Government. I don't know many other departments or agencies that use private sector collectors in conjunction with their own collectors.

Senator WEICKER. How did you fare on your predictions as to 1983 and 1984? Did you fall short or——

Dr. ELMENDORF. We have done a very good job in collections, Senator.

Senator WEICKER. No; I mean, how did you fare in relation to what you predicted between 1983 and 1984?

Dr. ELMENDORF. Initially for fiscal year 1983 we projected $36 million based on the hiring of 100 additional people. We did not get 100 additional people, but we still collected $46 million.

That was an increase of over 21 percent over the previous year. We're expecting another $22 million increase this year to over $68 million.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. Let's move on now to Higher Education.

There will be additional questions posed for response to the record on Guaranteed Student Loans.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

GUARANTEED STUDENT LOANS

NEED ANALYSIS FOR ALL STUDENTS

Question: Your budget proposes a number of legislative changes to the Guaranteed Student Loan (GSL) program, including one to require that all students undergo a needs analysis to determine eligibility where at present such a needs analysis is required only for those whose adjusted gross incomes exceed $30,000. Your budget justification states that at present "unnecessary borrowing is still possible for students with family incomes below $30,000."

To what extent is unnecessary borrowing occurring in the Guaranteed Student Loan program among those with family incomes below $30,000? (How did you arrive at this estimate?)

Answer: We estimate that six percent of the current regular Guaranteed Student Loan (GSL) dollar volume represents unnecessary borrowing by students with family adjusted gross incomes of under $30,000. Of this six percent, we estimate that one quarter would continue to be borrowed after implementation of our proposal for full need analysis, but would switch to the less subsidized Auxiliary component of the GSL program, resulting in a net decrease in borrowing of about three percent. The Congressional Budget Office (CBO) anticipates a greater impact for our proposal on regular GSL borrowing (i.e., greater "unnecessary borrowing" under current law) with a smaller shift to the Auxiliary component.

While neither the Department nor CBO has specific statistical data to directly support estimates of unnecessary borrowing, related data on the incomes and expected family contributions of students in the other aid programs provide a basis for analyzing the impact of our full need analysis proposal. CBO assumed that virtually all part-time students, students attending low cost institutions and independent students would be eliminated from eligibility. Although we agree with CBO in the categories of students which would be most affected by our proposal, based on our analysis of available data, we feel that the impact would be less than that estimated by CBO. However, because demographic data on actual GSL borrowers is sketchy at best, any estimate, including the Department's and CBO's, must be based upon a number of assumptions and, therefore, could reasonably vary.

Despite the lack of hard statistical evidence of a specific level of unnecessary borrowing, such borrowing can and does occur and represents a tremendous potential for abuse of the GSL program. For example, a single independent student earning $29,999 with $20,000 or more in the bank and attending a low cost school on a part-time basis currently can borrow a highly subsidized regular GSL and avoid contributing to the cost of education. The taxpayers would pay the cost of this student's full interest while the student is enrolled and continues to pay the special allowance for the life of the loan. This situation threatens the integrity of the GSL program and unnecessarily increases program costs. Our proposal would alleviate this situation by requiring all borrowers to demonstrate their need for a Federal (taxpayer) subsidy of their educations.

Question: Specifically, how much would be saved by requiring that all students undergo this needs analysis?

Answer: The Department estimates that extending the current need analysis requirements to all income levels for regular Guaranteed Student Loans made on or after July 1, 1984 would result in a net savings of $1.6 million in fiscal year 1984 and $23.9 million in fiscal year 1985. Additional savings would be obtained in the outyears: $46.5 million in 1986; $61.1 million in 1987; $69.7 million in 1988; and $71.3 million in 1989.

Question: How does this amount compare with the amount it would cost to administer this change in the law? In other words, would the net savings be negligible and not worth the bother of implementing this change?

Answer: There would be no additional Federal costs as a result of implementing the need analysis requirement to all income levels. Additional administrative costs to institutions would be minimal. Almost all of the students from families earning $30,000 or less who would be affected by our proposal to extend the need analysis requirement would have already undergone a needs test as a prerequisite for receiving other Title IV campus-based student aid. The same expected family contribution (EFC) used to determine awards for this aid must be used to determine eligibility for the Guaranteed Student Loan program, if such other Title IV aid was awarded.

NONTAXABLE INCOME PROPOSAL

Question: Another one of your cost saving proposals would be to include nontaxable income in a determination of "need" for a guaranteed student loan.

Would it be possible for a student to be rendered ineligible for a loan by virtue of their family receiving food stamps or medicaid for example? Would this not be giving certain families the "choice" between eating and sending a child to college?

Answer: Such nontaxable benefits as food stamps and Medicaid would not be required to be considered in the determination of need. These benefits, while they do contribute to the maintenance of the family, are not available for support of the student's education. They represent aid earmarked for the purchase of a minimum level of nutrition and reimbursement for required medical care.

However, other forms of nontaxable income are available for the general support of the family and potentially for contribution towards the student's educational expenses. These other types of nontaxable income which would be considered in the determination of need include items such as the interest on tax-exempt securities, the untaxed portion of pensions and capital gains, unemployment compensation, child support, certain welfare benefits, dividend exclusions, etc. It should be noted that receipt of these benefits does not necessarily decrease the student's eligibility for aid.

Only if the total amount of income, both taxed and untaxed, exceeds the minimum amount required to maintain the family does any additional income affect the student's eligibility. For example, a family living solely on welfare benefits would not have sufficient total income for receipt of these benefits to decrease the student's aid.

Furthermore, the Administration's proposal to require the consideration of nontaxable income in the determination of eligibility for a regular Guaranteed Student Loan would only affect those students whose eligibility is determined by using the "look-up" table method. Those students for whom eligibility is determined under other need analysis systems, such as the Uniform Methodology, currently have their nontaxable incomes considered in the eligibility calculation. Thus, our proposal seeks only to make the eligibility determination more consistent and equitable among students.

Question: How significant would be the savings realized from the inclusion of nontaxable income as a determinant of eligibility for a GSL?

Answer: The Department estimates that the inclusion of nontaxable income in the "look-up" table method of need analysis for Guaranteed Student Loans would result in negligible cost savings. The purpose of our proposal is not to generate cost savings, but rather to make the determination of eligibility more consistent among students and across student aid programs and to provide more equitable treatment of students with different sources of income.

FEDERALLY INSURED LOAN COLLECTIONS

Question: Could you explain how you plan to increase your collection on defaulted federally insured student loans by nearly 70 percent from an FY 1984 base of $68 million to $114 million in FY 1985?

Answer: This significant increase in Federal Insured Student Loan (FISL) default collections by the Department can be attributed to both the Department's overall improved rate of collections and to specific improvements in debt collection activities which will have their greatest impact in fiscal year 1985. Overall, we expect to collect a base of $87 million in 1985, compared with collections of $68 million in 1984. This increase continues the pattern of large increases in collections over the past few years. In addition, $26.5 million will be collected as a result of four specific management improvements. The full impact of implementation of the Federal employee offset authority provided by the Debt Collection Act of 1982 will be realized in fiscal year 1985. This "Project Match" program is expected to yield recoveries of $12 million in FISL defaults. We expect to realize another $10 million in collections in 1985 as a result of increased reporting of defaulted student loans to national consumer credit bureaus. The Department's Financial Recovery Management System will be fully operational in June 1984. This collection system enhancement is expected to have a significant impact on recoveries in 1985, yielding an additional $3.5 million in collections. A final major management enhancement in fiscal year 1985 will be in the area of increased litigation of defaulted accounts. We expect another $1 million as a result of this improvement.

Question: Do you anticipate that such a significant jump in collections on defaulted loans will continue annually over the next few years?

Answer: We do not expect Federal Insured Student Loan (FISL) default collections to reach the high fiscal year 1985 level in the outyears. We anticipate a drop in collections for two reasons. First, the major impact of many of our new collection improvements (credit bureau reporting, offsetting the wages of Federal employee defaulters, etc.) will be realized in 1985, and have a much smaller impact in the years to come. Secondly, FISL volume has dropped dramatically in recent years as GSLs are now available in every State through guarantee agencies. (In fact, we are now implementing a phase-out of the FISL program since it is no longer necessary.) As fewer FISL loans are made, fewer defaults occur, and there are, therefore, fewer accounts in our default portfolio upon which to collect. This trend will continue into the outyears.

I would like to stress, however, that our outyear collections will still be impressive. In comparison to projected fiscal year 1984 collections of $68 million which do not reflect our planned improvement, we anticipate collections of $105 million, $95 million and $80 million in fiscal years 1986, 1987, and 1988, respectively.

Question: Of the estimated collection projections on defaulted federally insured loans, what proportion will be collected by:

-- Private collectors under contract to the Department of Education;

-- Federal collectors employed by the Department of Education; and,

-- Litigation through the Department of Justice.

Answer: We estimate that 53.5 percent of the fiscal year 1985 Federal Insured Student Loan default recoveries will be collected by the private collection agencies under contract to the Department. The Department's Federal employees will collect 43.5 percent. The remaining 3 percent will be collected by the Department of Justice through litigation.

Question: What proportion of the current dollar amount of federally insured loans in default represents loans that are over five years in default? What are the probabilities of collection of these "old loans"?

Answer: Over 70 percent ($800 million) of the current dollar amount of defaulted Federal Insured Student Loans have been in default for over five years. The probability of collection on these "old loans" is one in ten.

EFFECTS OF PROPOSALS ON GUARANTEE AGENCIES

Question: How have guarantee agencies reacted thus far to your proposals to eliminate the two administrative cost allowances, to require the return of loan reserve funds, and to reduce the Federal reinsurance from a maximum of 100 percent to a flat 80 percent?

Answer: We have not received any comments from guarantee agencies regarding our proposals to require the agencies to share some of the financial responsibility for the operation of the Guaranteed Student Loan program since our fiscal year 1985 budget was made public in January 1984.

Question: What studies have you done that would justify the recommended reductions in Federal payments to guarantee agencies? Do you think that any agency might become insolvent as a result of these recommendations?

Answer: Based on data submitted by the guarantee agencies in their quarterly reports, the Department analyzed the annual and cumulative sources and uses of guarantee agency funds. This analysis indicated that, as of the end of fiscal year 1983, approximately $719 million was available in guarantee agency reserves. This amount is greater than the agencies' total operating expenditures for fiscal year 1983 and greater than their operating expenditures for fiscal years 1981 and 1982 combined.

Although it is not possible to forecast individual agency sources and uses of funds with reasonable accuracy, our analysis of the impact our proposals would have had on agencies during fiscal year 1983 indicate that only three agencies (the United Student Aid Fund, one in American Samoa and one in the Northern Mariana Islands) might have faced some financial problems. All other agencies would have had sufficient sources of income (insurance premiums, up to 30 percent of collections, investments, etc.) to cover their expenses. Furthermore, these other sources of funds would have allowed agencies to maintain a balance of reserve funds sufficient to meet any reasonable level of contingent obligations. Thus, insofar as agency income from these other sources is maintained and costs do not increase substantially, virtually all agencies would remain financially solvent, even without all of the Federal subsidy support.

Question: Is the premise of your recommendations to reduce Federal support for State programs that these funds are unnecessary? If so, what have the guarantee agencies been doing with these funds? If not, do you think that State governments would be willing to replace these funds?

Answer: As indicated above, our analysis indicates that the Federal loan advances, the two direct administrative cost allowances and full 100 percent reinsurance represent a large Federal subsidy which, in most cases, is no longer necessary for the continued operation of the guarantee agency programs. Despite agency claims that their current levels of funds are needed as a contingency against potential future losses, we believe and our analysis shows that agency reserves are excessive under any reasonable level of potential future losses. The agencies have accumulated about $719 million in their reserve funds. Most agencies have invested much of their reserves in low risk securities. In fact, over the years more than $200,000 has been reported to the Department in investment earnings.

While we do not believe that the agencies will require substantial additional State funding to maintain and improve their operations, such funding has occurred in the past and could supply

any shortfall in the future. In fiscal year 1983, nine agencies received funds via State appropriations. Historically, 33 agencies have received funding from their States. Should some additional funding be required, it is our view that the States and territories should share a small portion of the costs of administering the State guarantee agency programs. The Federal Government would continue to provide substantial support through reimbursement of 80 percent of the agencies' default losses and by allowing agencies to keep up to 30 percent of their collections.

Question: Would you provide for this Committee a list of which guarantee agencies that you think might still require Federal loan advances to maintain their default reserves, and a list of which such agencies no longer require such advances? Under your budget proposal to terminate all new loan advances by this July, and to require repayment of all previous advances by October 1, 1985, which guarantee agencies might face significant financial problems in meeting their GSL default insurance obligations to lenders?

Answer: The Department estimates that two agencies, the United Student Aid Fund and the agency in the Northern Mariana Islands, might still require their Federal loan advances or replacement funds to maintain their default reserves. All of the other agencies no longer require these advances. However, it should be noted that the need for these advances in order to maintain defaulted reserves is different from agency eligibility for the advances. The following lists the State agencies which are no longer eligible for Federal loan advances beginning in fiscal year 1984 and those which are eligible in fiscal years 1984, 1985 and 1986.

GUARANTEE AGENCY ELIGIBILITY FOR 422(c) ADVANCES

Eligibility Expired (Total = 41)

Alaska	Kansas	New Mexico	Vermont
Arkansas	Kentucky	New York	Virgin Islands
Connecticut	Louisiana	North Carolina	Virginia
Delaware	Maine	Ohio	West Virginia
District of Columbia	Maryland	Oklahoma	Wisconsin
Florida	Massachusetts	Oregon	Wyoming
Georgia	Michigan	Pennsylvania	
Idaho	Minnesota	Rhode Island	
Illinois	Nebraska	South Carolina	
Indiana	Nevada	South Dakota	
Iowa	New Hampshire	Tennessee	
	New Jersey	Utah	

Eligible: Fiscal Year 1984 (Total = 16)

Alabama	Guam	Montana	Puerto Rico
American Samoa	Hawaii	North Dakota	Texas
Arizona	Mississippi	Northern Marianas	Trust Territory
California	Missouri		Washington
Colorado			

Eligible: Fiscal Year 1985 (Total = 11)

Alabama	Mississippi	Puerto Rico
American Samoa	North Dakota	Texas
Arizona	Northern Marianas	Trust Territory
California		
Guam		

Eligible: Fiscal Year 1986 (Total = 6)

American Samoa	Northern Marianas
Guam	
Mississippi	Trust Territory
North Dakota	

Questions Submitted by Senator William Proxmire

GUARANTY AGENCY RESERVES AND ACTIVITIES

Question: Are guaranty agency reserves under the guaranteed student loan program restricted for expenditures specifically related to guaranteeing these loans or are these funds available for other State programs?

Answer: Guarantee agency reserves contain funds from a variety of sources: State appropriations; loan insurance premiums from lenders; collections on defaulted accounts; earnings from investments; Federal reinsurance payments, loan advances and administrative cost allowances; and other non-Federal sources (for example, gifts or grants).

If the guarantee agency holds advance funds made by the Department under Section 422(a) of the statute (i.e., the advances authorized in 1965 and 1968), the use of the guarantee agency's reserves is restricted to expenditures specifically related to guaranting loans, paying insurance claims, refunding overpayments of insurance premiums or repaying Federal advances or reinsurance payments. There is only one exception: that portion of the reserve fund derived from insurance premiums and earnings on the investment of the fund may be used to support the administration of the guarantee agency's program. Agencies which do not have any 1965 or 1968 advances outstanding are not currently subject to any overall restrictions on the use of their reserve funds. However, specific restrictions apply to the use of the different Federal-originated funds depending upon their type. Advances authorized by the Educational Amendments of 1976 and earnings thereon may be used solely for the payment of insurance claims. Administrative cost allowances may only be used to cover specific administrative costs. Reinsurance payments are to be used only to cover agency losses on the loans it has guaranteed. The use of other categories of funds, such as State appropriations, gifts or grants are not restricted by the Federal Government, but their use may be limited by individual State statute or regulation.

Question: Why are private, nonprofit agencies allowed to guarantee loans in States where a State guaranty agency is already in place?

Answer: Neither private, nonprofit agencies, nor State agencies are restricted by Federal statute or regulation from guaranteeing loans in any State or to any student. Such a Federal restriction would unnecessarily limit the activities of agencies and would be an intrusion into the authority of the States. In those cases where such restrictions on the activity of State agencies exist, the limitations are imposed by the States. However, so as not to encourage unnecessarily the establishment of private, nonprofit agencies, certain Federal benefits, such as the loan advances, were prohibited from being paid to private, nonprofit agencies which operated in a State where a State guarantee agency existed.

Question: Why do guaranty agencies charge student borrowers insurance premiums when reserve levels are high and virtually all costs are reimbursed by the Federal Government?

Answer: By regulation, guarantee agencies may charge borrowers an insurance premium of up to one percent per year on the unpaid principal balance of the loan over the life of the loan. We encourage guarantee agencies to reduce their premiums in cases where the need for this income does not appear to be justified. In fact, nine agencies charge less than one percent, and 53 agencies apply their percentage rate to periods which are shorter than the life of the loan.

Questions Submitted by Senator Mark Andrews

TAX-EXEMPT FINANCING

Senator Andrews: Since the end of FY 1983, the Department of Education has approved only a handful of applications to issue tax-exempt revenue bonds to finance the Guaranteed Student Loan program. They have also added a number of new regulations intended to restrict potential abuse of the program. What has been the overall effect of the new regulations? How many issues have been denied? How many student loans (potential) have been affected? How many State authorities have complied with the stricter, more complex regulations? Has Sallie Mae increased its purchase of packaged student loans? Has Citibank, or any other major financial center bank, increased its purchase of student loan packages? In other words, how well has the proposal to "privatize" the student loan secondary market, by sabotaging the "public" market, worked?

Answer: On February 10, 1984, the Department published a Notice of Proposed Rulemaking (NPRM) relating to the issuance of tax-exempt obligations for student loan purposes. The public comment period ended on March 12, 1984. To date, 48 comments have been received. These comments are being reviewed and all will be given careful consideration before final regulations are issued in the Federal Register later this Spring or early Summer. Since these regulations are not yet effective, there has been no impact as of yet.

However, under interim procedures established to comply with the "Bill Ford Amendment" prior to publishing final regulations, we have received amended Plans for Doing Business and justifications for approval of tax-exempt financing from 30 authorities located in 25 States. Of that number, ten have been approved for a total of $587.5 million. Five have been disapproved for a total of $1.08 billion. We are awaiting additional information from the remaining 15 authorities before making final decisions on their submissions. To date, we have not received any information that would indicate any adverse effect on student loan volume as a result of our decisions.

Both the Student Loan Marketing Association (Sallie Mae) and the major commercial banks in the United States have continued to increase their participation in making and purchasing student loans. In fact at least two authorities (Maine and Utah) have been successful in obtaining taxable financing of their programs from Sallie Mae. Furthermore, Utah, which had requested approval for $145 million of tax-exempt financing over three years, obtained about $300 million over five years from Sallie Mae.

It should be made clear that we are, in no way, attempting to "privatize" the student loan secondary market. Our major objective in this area is to assure student loan access, but at the least possible cost to the taxpayer. In compliance with the new provision of the statute, the Department is asking that student loan authorities demonstrate the need for tax-exempt financing by first showing the anticipated demand for student loan capital and then deducting the amount that is available from other sources of credit. We encourage the student loan authorities to continue their programs, but have requested that they consider the availability and use of taxable funds in doing so, thus reducing the costs to the government without adversely affecting student access to loan capital.

GSL DEFAULTS AND COLLECTIONS

Senator Andrews: What has the incidence rate of defaulting on GSL loans been over the past few years?

Answer: The Department calculates two rates to measure defaults in the Guaranteed Student Loan (GSL) program. The first rate is the cumulative "lender-level" default rate, which is calculated by dividing the cumulative dollar amount of default claims paid to lenders since the inception of the program by the cumulative dollar amount of loans that have ever entered repayment. The second rate is the "net" default rate, which takes into account the Department's and guarantee agencies' collection efforts on defaulted accounts. It is calculated by dividing the net of the cumulative dollar amount of default claims paid to lenders minus the dollar amount of defaulted loans converted to repayment status, written off as uncollectible or transferred to the Department of Justice for litigation by the cumulative dollar amount of loans that have ever entered repayment. The lender-level and net default rates as of the end of the fiscal year for the last four years were:

	FY 1980	FY 1981	FY 1982	FY 1983
Lender-level Default Rate	12.5%	12.3%	11.3%	11.0%
Net Default Rate	5.9%	5.8%	5.0%	4.8%

Senator Andrews: With respect to the collection of outstanding defaulted loans and efforts to reduce the incidence of default on these loans, what measures have been implemented by the Department in an effort to accomplish these goals?

Answer: The Department is continuing its aggressive efforts to reduce the incidence of default and collect on defaulted loans. We will continue to refer defaulted accounts to the private collection agencies now under contract to us. Our referral of accounts to the Department of Justice for litigation is also increasing. The Department's final regulations on offsetting the salary of Federal employees in default on student loans were published in the Federal Register on February 27, 1984, and became effective on March 28, 1984. We will begin to refer account information on defaulted loans to national consumer credit bureaus this spring. This will serve both as a disincentive to default and as an incentive to repay loans already in default. The Department's Financial Recovery Management System which will increase productivity through automation enhancements, will be fully operational in June 1984.

In addition to these and other "operational" measures to reduce defaults and improve collections, we are also planning to resubmit to the Congress this year an updated version of our "Student Loan Collection Improvement Amendments of 1983", which was previously submitted to the Congress in October 1983. Our proposed amendments would: permit a lender to require loan endorsement under the Federal Insured Student Loan (FISL) program; require loan checks, payable to the student and institution as copayees, to be sent to the student's institution; tighten institutional and guarantee agency audit requirements; provide that the six-year Federal statute of limitations for filing suit for collection of a loan would apply to guarantee agencies, if the period under State law is less than six years (if the applicable State limit is longer than six years, the State law would apply); expand credit bureau reporting requirements; and limit the repayment period of FISL loans to ten years.

Finally, we are currently revising the GSL program regulations. The revised regulations will strengthen lender and guarantee agency due diligence requirements in making, servicing and collecting on loans, and will establish criteria for the subrogation of guarantee agency defaulted accounts to the Department so that the Department can collect on defaulted accounts on which the agencies have not been able to collect.

Question Submitted by Senator James A. McClure

UNEXPENDED GUARANTEED STUDENT LOAN FUNDS

Senator McClure: Will the Department report to the subcommittee what amounts have been left unspent, for each of the

past four years, in the Guaranteed Student Loan program? Does the Secretary have the discretionary power to spend these amounts, if any, in other areas? If this discretionary power exists, what areas or programs have been the recipients of unspent Guaranteed Student Loan funds?

Answer: As of the end of fiscal years 1980, 1981, 1982, and 1983 the following amounts of Guaranteed Student Loan (GSL) appropriations were unexpended and carried forward into the following fiscal year for use against that following year's GSL obligations:

FY 1980	FY 1981	FY 1982	FY 1983
$129,416,000	$62,325,000	$217,172,000	$883,352,000

The Secretary does not have the discretionary authority to spend amounts left over at the end of the year for purposes other than support of the GSL program. However, under the court order of Judge Milton Shadur, which was upheld by the Seventh Circuit U.S. Court of Appeals, and under the direction of Congress in H.J. Res. 368 (fiscal year 1984 continuing appropriations), $20 million of the $883,352,000 which was unexpended at the end of fiscal year 1983 was deobligated from the GSL account to be made available to support the desegregation activities of the Chicago school district.

Question Submitted by Senator Quentin N. Burdick

TAX-EXEMPT FINANCING

Senator Burdick: The Industrial Commission of North Dakota has sent me a resolution as well as a copy of their comments submitted to the Department about your February 10 rulemaking. This relates to the new requirements for State agencies wishing to issue tax-exempt bonds to finance low interest loans to college students.

As I understand it, your requirements are very onerous for the State authorities. Senator Stafford has said they go far beyond congressional intent.

First, I would like to urge you to give these comments your full attention. They were delivered to Mr. David Bayer in the Department on March 7th.

Second, is it the Department's purpose to curtial tax-exempt financing as a source of student loan credit, and is it your purpose to centralize the secondary market financing for these loans? As I understand the concerns about these regulations, they would do both.

Answer: We can assure you that the comments on the proposed regulations submitted by the Industrial Commission of North Dakota (and all other comments received) will be carefully considered by the Department prior to the issuance of a final regulation. These comments, and our responses to them, will be summarized in the preamble to the final regulation when it is published in the Federal Register.

It is not the purpose of the Department to centralize the secondary market financing for student loans. To the contrary, we believe that State and regional secondary markets have and will continue to provide an essential function in support of the Guaranteed Student Loan program. The Department's major objective in this area is to assure student loan access--but at the least possible cost to the taxpayer. In compliance with the new provision of the statute, the Department has requested that the student loan authorities demonstrate that they have adequately assessed the need for tax-exempt financing in their area, after taking into consideration other existing sources of student loan credit in that area. This consideration includes taxable financing. In requiring this demonstration of need, the Department is following the letter and spirit of the law.

HIGHER EDUCATION

PREPARED STATEMENT

Dr. ELMENDORF. I would ask you to accept for the record my statement.

Senator WEICKER. All right.

[The statement follows:]

Statement of Edward M. Elmendorf

Thank you for this opportunity to present the fiscal year 1985 budget request which totals $252 million for the Higher Education account.

The Higher Education account supports a variety of programs which address several issues of national concern including: improving the quality of education; increasing educational opportunities for the disadvantaged; and strengthening institutions of higher education which serve a high percentage of low-income students.

Fostering Excellence in Education

The Department's request for the Higher Education account includes support for the Fund for the Improvement of Postsecondary Education at the same level as was appropriated in the last fiscal year, $11.7 million. This request addresses the primary national concern in education today--improving the quality of education. While principal responsibility for improving the quality of education lies with the institutions themselves, the Fund will support action-oriented grants to effect nation-wide educational improvement at the postsecondary level. Program activities will address national concerns such as improving teacher training, attracting the best students to the teaching profession, and developing better programs in mathematics and science.

For fiscal year 1985, the Department will propose legislation which will require that institutions or organizations receiving grants under this program provide 50 percent of the project costs. Currently grantees often share costs, with an overall average in the program of about 40 percent, even though no cost-sharing is required under current law. The proposal for required cost-sharing will allow the funding of additional grants without increasing Federal costs to the program.

Assistance to Institutions which Serve a High Percentage of Disadvantaged Students

The 1985 budget request for Higher Education reflects the President's continued commitment to historically Black colleges and universities and other institutions which serve substantial numbers of disadvantaged and minority students.

Our 1985 request includes $134.4 million for the Institutional Aid programs authorized by Title III of the Higher Education Act, the same level as the 1984 appropriation. The 1985 proposal will include continuation of the 1984 set-aside for historically Black colleges and universities.

Grants are provided under these programs to assist participating institutions to improve the quality of their academic program, student services, institutional management, and fiscal stability with the ultimate objective of attaining self-sufficiency. Increased emphasis will be placed on providing assistance to institutions to develop and expand their endowment programs.

A number of legislative proposals are sought for fiscal year 1985 which are designed to improve and simplify these programs. The legislative proposals include:

- o merging Parts A and B, which are similar in purpose and method of operation, into one program; maintaining the Endowment Grant program; and phasing out the Challenge Grant program which terminates at the end of 1984; and

- o simplifying the determination of institutional eligibility by reducing the number of eligibility factors from three to two. This would also result in improved targeting of resources.

These changes are expected to result in administrative cost savings and improved program management without adversely affecting grantees.

In addition to the funds requested for the Institutional Aid programs, the Department is requesting $4.8 million for the Minority Institutions Science Improvement Program, the same level as the 1984 appropriation. This program is designed to enhance the science education programs offered by the historically Black colleges and universities and by other predominantly minority institutions.

Increasing Educational Opportunities for the Disadvantaged

To assist disadvantaged individuals gain access to and complete programs of postsecondary education, and to complement the Federal investment in student financial assistance, $82.4 million is requested for the Special Programs for the Disadvantaged. This funding level is $82.4 million less than was appropriated in fiscal year 1984.

In fiscal year 1985, funds are requested for only the Special Services and Upward Bound programs. These programs provide intensive services and have been shown to have positive impacts in recent evaluations. No funds are requested for the Talent Search, Educational Opportunity Centers, and Staff Training programs, however, certain activities under a consolidated Talent Search/Educational Opportunity Centers Program will be allowed under the Special Services and Upward Bound programs.

Legislative proposals will be submitted to the Congress which would result in improved targeting of services to individuals, and the simplification of these programs. These changes include:

- o Eliminating the language throughout the authority which permits first generation college students to participate in the program regardless of family income;

- o Requiring a cost-sharing for institutions participating in the Upward Bound program;

- o Requiring cost-sharing and the eventual institutionalization of the Special Services program; and

- o Consolidating the Talent Search and Educational Opportunity Centers programs.

These latter two changes are also expected to result in significant cost-savings, allowing reductions in Federal funding without commensurate reductions in program levels.

Consolidation of the Department's Work Programs

The Department has proposed that the Cooperative Education program be supported under the expanded College Work-Study program authority for which a significant increase in funding is requested. We believe that this would result in additional institutions adopting the cooperative education model as well as improving the coordination of these closely related programs at the institutional level.

Higher Education Construction

The 1985 request also includes $18.8 million for the Interest Subsidy Grant program. When added to $5.2 million in unobligated balances anticipated to be available in 1985, this represents the amount required for grants that were approved in prior years to subsidize interest rates on commercial loans for construction projects.

Other Higher Education Programs

The fiscal year 1985 request proposes elimination of several programs in the Higher Education account. These programs are being eliminated for a variety of reasons which I will discuss briefly.

No funds are requested for the International Education and Foreign Language Studies programs--both domestic and overseas. The activities supported by these programs are now well established and institutions should assume full responsibility for supporting these programs. In addition, these activities can be supported through philanthropic and other private sources. Accordingly, we fully expect that support for foreign language and area studies and international education programs will continue to come from State, local, and international sources. Where there are legitimate Federal needs, Government-sponsored efforts to meet those needs are better left to those agencies with substantive interests and clear and specific ideas of what skills they need. Related programs already exist in several of these agencies including the Departments of State and Defense, and the U.S. Information Agency.

There are a number of programs for which additional Federal support cannot be justified because of decreased need, availability of funds from other Federal and non-Federal sources, or successful completion of a demonstration.

Funds for the Veterans' Cost-of-Instruction and the Law School Clinical Experience programs are not being requested because they have outlived the purposes for which they were created. The number of Vietnam veterans enrolled in postsecondary education, the population which the Veterans program was intended to serve, has declined dramatically in recent years and will continue to shrink steadily in the years ahead. This program is no longer a Federal priority. The Law School Clinical Experience program was intended to demonstrate the effectiveness of clinical legal education. This demonstration has been successfully accomplished; therefore, Federal funding is no longer necessary or appropriate.

The Legal Training for the Disadvantaged, Graduate and Professional Opportunity Fellowships, and the Public Service Fellowships programs are all proposed for elimination because graduate students who could have participated in these programs can receive support under the Guaranteed Student Loan, National Direct Student Loan, the College Work-Study programs, and certain graduate assistance programs in other agencies, such as the National Science Foundation. In addition, aid is also available from a variety of State, institutional and private sources to persons pursuing study at the graduate level.

Finally, no funds are requested for any of the Special Endowments supported under this account. Generally, these programs were one-time appropriations and additional funding is not needed.

Fiscal Year 1984 Supplementals

We are proposing supplemental language for fiscal year 1984 to permit the continued availability of funds appropriated for the Endowment Grants program. This will permit the Department to provide an ample opportunity to institutions participating in the program to raise the necessary matching funds.

In addition, we are proposing supplemental language to permit us to award the $500,000 appropriated under the Supplemental Appropriations Act, 1984 for the Public Service Fellowships program as the Congress intended. As appropriated, the funds would have to be awarded in the same manner as the other $2 million provided for the program--through a discretionary competitive grant process. The Congress, through report language, stated that these funds should be used to endow the Sam J. Ervin, Jr. Program in Public Affairs. The proposed language is required in order to comply with the stated congressional intent. Related to this request for supplemental language, the availability of these funds has been deferred pending congressional enactment of the required language.

I would also like to remind the Committee of a technical 1984 Supplemental Request. Inadvertently, $10 million was appropriated for Work-Study and Supplemental Grants under the Higher Education account. We request that the Congress transfer that amount to the Student Financial Assistance account.

Thank you again for the opportunity to appear today to present the fiscal year 1985 budget request for the Higher Education account. My colleagues and I are ready to respond to any questions you may have.

Higher Education

Budget Authority by Activity

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1984 President's Revised Estimate	1985 Estimate
1. Assistance for the disadvantaged:					
a. Institutional aid:					
(1) Strengthening institutions (proposed legislation).....	---		---	---	$112,816,000
(2) Strengthening institutions.....	$62,408,000	$62,408,000	$62,408,000	$62,408,000	---
(3) Institutions with special needs....	62,408,000	62,408,000	62,408,000	57,288,000	---
(4) Endowment grants.	---	---	1,920,000	7,120,000	15,242,000
(Reappropriation)	(---)	(---)	(---)	(7,120,000)	(---)
(5) Challenge grants.	9,600,000	9,600,000	7,680,000	7,680,000	6,358,000
Subtotal.....	134,416,000	134,416,000	134,416,000	134,416,000	134,416,000
(Subtotal with re-appropriation).	(134,416,000)	(134,416,000)	(134,416,000)	(141,536,000)	134,416,000
b. Special programs for the disadvantaged....	154,740,000	35,000,000	164,740,000	164,740,000	82,370,000
Subtotal.....	289,156,000	169,416,000	299,156,000	299,156,000	216,786,000

Budget Authority by Activity--continued

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1984 President's Revised Estimate	1985 Estimate
2. Program development:					
a. Fund for the improvement of postsecondary education.....	$11,710,000	$6,000,000	$11,710,000	$11,710,000	$11,710,000
b. Minority institutions science improvement program.....	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
c. Cooperative education	14,400,000	---	14,400,000	14,400,000	---
d. International education and foreign language studies:					
(1) Domestic programs	21,000,000	---	25,800,000	25,800,000	---
(2) Overseas programs	5,000,000	---	5,000,000	5,000,000	---
e. Veterans' cost-of-instruction.....	3,000,000	---	3,000,000	3,000,000	---
f. Aid to land-grant colleges.....	2,800,000	---	---	---	---
Subtotal.....	62,710,000	10,800,000	64,710,000	64,710,000	16,510,000
3. Graduate support:					
a. Graduate and professional opportunity fellowships program..	10,000,000	---	11,000,000	11,000,000	---
b. Public service fellowships.....	1,920,000	---	2,500,000	2,500,000	---
Subtotal.....	11,920,000	---	13,500,000	13,500,000	---

Budget Authority by Activity--continued

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1984 President's Revised Estimate	1985 Estimate
4. Higher education construction:					
a. Interest subsidy grants.....	$25,000,000	$24,500,000	$24,500,000	$24,500,000	$18,775,000
b. Graduate facilities construction grants..	22,500,000	---	---	---	---
Subtotal.....	47,500,000	24,500,000	24,500,000	24,500,000	18,775,000
5. Special endowments:					
a. Wayne Morse Chair of Law and Politics..	335,000	---	---	---	---
b. General Daniel James Memorial Education Center.....	9,000,000	---	---	---	---
c. Carl Albert Congressional Research and Studies Center.....	2,000,000	---	---	---	---
d. Robert A. Taft Institute of Government.....	750,000	---	---	---	---
e. Maureen and Mike Mansfield Foundation.	---	---	5,000,000	5,000,000	---
Subtotal.....	12,085,000	---	5,000,000	5,000,000	---

Budget Authority by Activity--continued

	1983 Appropriation	1984 President's Estimate	1984 Appropriation	1984 President's Revised Estimate	1985 Estimate
6. Law and education:					
a. Legal training for the disadvantaged....	$1,000,000	---	$1,000,000	$1,000,000	---
b. Law school clinical experience.....	605,000	---	1,000,000	1,000,000	---
Subtotal.....	1,605,000	---	2,000,000	2,000,000	---
7. Student financial assistance:					
a. Work-study.....	---	---	5,000,000	---	---
b. Supplemental educational opportunity grants.....	---	---	5,000,000	---	---
Subtotal.....	---	---	10,000,000	---	---
Total budget authority..	424,976,000	204,716,000	418,866,000	418,866,000	252,071,000
(Total budget authority with reappropriation).....	(424,976,000)	(204,716,000)	(418,866,000)	(415,986,000)	(252,071,000)

NOTES

1. a.(3) and 1.a.(4)--The 1984 President's Revised level redistributes $5,200,000 from Institutions with Special Needs to increase Endowment Grants to a total of $7,120,000. The 1984 President's Revised level also reflects a proposal to reappropriate the $7,120,000 to extend availability of these funds until expended, allowing institutions adequate time to become eligible for endowment awards.

2. c. Funding for this program in the President's 1985 budget is incorporated into the Work-study program in the Student Financial Assistance account as an authorized activity under proposed legislation.

7. The 1984 President's Revised level reflects a supplemental proposed under the Student Financial Assistance account to transfer to that account $10,000,000 appropriated incorrectly under Higher Education.

OVERVIEW OF HIGHER EDUCATION

Dr. ELMENDORF. To overview this statement in a brief amount of time, let me go through the categories of proposals.

The emphasis in the higher education programs is in four basic areas. One is in improving and increasing excellence in higher education. The second would be trying to increase opportunities for the disadvantaged. The third would be improving and strengthening institutions that have a very high percentage of low-income students.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

In the first area, fostering excellence in education, the FIPSE program—the fund for the improvement of postsecondary education—is proposed for funding at $11.7 million, which would provide 218 grants, 20 more than in the previous year.

We would make a change to that program by proposing a 50-percent cost-sharing requirement. Right now, on average, institutions contribute 40 percent of those total dollars. We would advocate that that go to 50 percent.

One of the interesting things about this program is that 88 percent of all of the projects funded with these dollars are continued by the institution after the funds are discontinued, and we think that's a commendable kind of a program effort. The funds are used and will be used on a priority basis for improving teacher training, attracting the best students to the teaching profession, and developing better programs in math and science.

TITLE III—INSTITUTIONAL AID PROGRAM

The second program area is assistance to institutions with a high percentage of disadvantaged students. The first program in that area is the institutional aid program. The funding level would be maintained at $134.4 million, allowing for 521 grants.

We would propose about $113 million of that in a new combined parts A and B section; $15 million for the new endowment proposal; and $6.4 million for phasing out the challenge grants.

In that program our legislative proposals are two in number. We would like to increase in eligibility the number of institutions that can participate in title III. We feel that the net increase of 142 institutions, or 6 percent in eligibility would be an advantage, particularly to American Indian institutions, Hispanic institutions, and historically black colleges.

We would like to merge parts A and B, maintain the endowment program, and phase out the challenge grant program. We would also like to simplify the eligibility requirements for title III by reducing from three to two the criteria used to establish eligibility.

MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM

The minority institutions science improvement program would be level-funded at $4.8 million, allowing funding for 38 projects. The focus there is to improve science and mathematics training at predominantly minority institutions and to improve access to science and engineering careers for minority students.

TRIO PROGRAMS

In special programs for the disadvantaged, commonly known as the TRIO programs, we request funding of $82.4 million, a reduction of $82.4 million. One thousand sixty-three projects would be funded. This is a reduction of half of the funds, but only 210 of the projects.

We would request no funding for talent search, educational opportunity centers or staff training. However, talent search and educational opportunity centers activities would be allowable under the new special services and Upward Bound programs.

As far as legislative proposals are concerned, we would try to improve targeting of these program services by eliminating the requirement that participants be first-generation college students, extending eligibility under all special services programs to the handicapped, and providing for more cost sharing on the part of the institutions participating in both the Upward Bound and special services programs.

We've done an analysis of the programs, and we've also done an analysis of the institutions who were the first participants in those programs. We found that more than 40 percent of the institutions that were initially funded under these programs 10 years ago are still being funded now.

It's our belief that the time has to come for these institutions to decide to "buy into" this program as their own, and to fund it with their own funds. We would propose moving toward that objective.

COOPERATIVE EDUCATION

With respect to the cooperative education program, we stated under our work-study program proposal that we believe that cooperative education can be funded with work-study funds and still be left intact and maintain its own program integrity—while more students can get aid under the expanded funding request for work-study.

INTEREST SUBSIDY GRANTS

We are requesting $18.8 million for the interest subsidy grants program to meet our subsidy commitments for loans made in prior years.

For all of the other smaller higher education programs, we request no funding.

INTERNATIONAL EDUCATION AND FOREIGN LANGUAGE STUDIES

Probably the most controversial of these programs is international education and foreign language studies, with a $30.8 million funding level in fiscal year 1984.

Our belief is that since 90 percent of the costs of the national resource centers is currently being financed by the institutions, they can further provide the additional 10 percent—particularly, in light of the fact that over $1.3 billion in new corporate, private sector support was provided in 1982, and we expect that level to increase again for 1983. That is a 20-percent increase.

We have also taken a careful look at how funds are provided across the Federal Government for foreign language training and for research and training exchanges. We have discovered that, in terms of funding, we represent only about 1 percent of the exchange funding by the Federal Government.

We fund only 1,400 exchanges in contrast to 45,000 by other agencies, primarily the U.S. Information Agency and the Department of Defense.

It costs us $5 million; it costs them $500 million. The greater priority seems to be in those other agencies.

Insofar as meeting the Commission on Excellence recommendations, we feel that the additional $250 million provided to the States would allow them to decide to consider, for priority funding, foreign language instruction for elementary and secondary school children.

OTHER HIGHER EDUCATION PROGRAMS

The basic reasons for the other programs not being recommended for funding are as follows: decreased need; availability of funds from other sources; or successful accomplishment of the program's objectives.

First among these are the veterans' cost-of-instruction and law school clinical experience programs, both of which we believe no longer serve a purpose and have so little funding that they do not serve the intended purposes.

Today, fewer than 80,000 Vietnam-era veterans are enrolled in participating institutions of higher education. The funds do not provide direct services to veterans, but are used simply to establish an office which refers veterans to other parts of the institution for services, such as a counseling center.

Legal training for the disadvantaged, the graduate and professional opportunity fellowships program, and public service fellowships, we believe can be adequately supported through increases or the expansions we propose in the work-study program, the guaranteed student loan program, and the new PLUS loan program, which are all available to graduate students.

The special endowments programs, in most cases, were one-time appropriations. That one-time funding has been satisfied.

We are proposing supplemental language to permit us to carry out the Congress' request in report language—that $500,000 be awarded for the Sam J. Ervin, Jr., program in public affairs.

We also ask the Congress, as we did under the student financial assistance account, to transfer the amount now in the higher education account for work-study and SEOG from the higher education account to the SFA account. That is essentially a bookkeeping change, and we ask that you do that.

That concludes my testimony on the higher education account, Mr. Chairman.

HIGHER EDUCATION CAPITAL IMPROVEMENT NEEDS

Senator WEICKER. A recent study reports that the total cost of needed repairs and construction on the Nation's campuses is an estimated $40 to $50 billion. The problem of deteriorating buildings and outmoded facilities has emerged as a major problem threatening the economic and academic stability of our postsecondary institutions.

Has the Department considered the issue? And, if so, what is being done?

Dr. ELMENDORF. Yes; we're aware of the problem of deteriorating facilities and the deferred maintenance issue and its impact on colleges and universities across the country. We don't believe, however, that it's the appropriate Federal role to build new buildings or spend enormous sums of money to renovate and repair existing facilities.

There are some agencies, such as the Department of Energy, that have specific funds available for energy conservation projects to make these facilities more efficient. But we think that maintenance and renovation, generally, is primarily an institutional, rather than a Federal, responsibility.

Would you like to comment on that, Dr. Kimberling?

Dr. KIMBERLING. Yes; Senator, if I might add, the New York Times last December reported that average tuition increases at colleges and universities were going to be between 7 and 8 percent, whereas inflation had dropped to 3.5 percent.

It was indicated in that article that the rationale given by many college administrators for an increase in their charges above the inflation rate was precisely so they could target some of their funds to construction of new facilities and renovation of existing facilities.

So we are seeing the colleges and universities themselves increasing their annual operating budgets higher than the inflation rate so as to address this facilities need.

Senator WEICKER. The response, as you know, has been to support a few individual facilities' construction projects on an ad hoc basis. I might add, these requests are growing in an ever increasing volume.

One reason given for the approach is some institutions are aware they might not be able to compete with the large, well established research institutions adept at grantsmanship and better able to win approval of their projects. Such "have-not" institutions also believe they might not be able to come up with the required match necessary to obtain funding under title VII, the Higher Education Act facilities program.

I want to know if your Department is prepared to work with Congress in developing an appropriate Federal response to the overall academic facilities problems during consideration of the Higher Education Act reauthorization next year.

Dr. ELMENDORF. Yes, sir.

TRIO

Senator WEICKER. Your fiscal year 1985 request for the TRIO programs of $82.37 million is a 50-percent reduction from the fiscal year 1984 amount we appropriated. Last year's budget proposed even greater reductions for TRIO. In most areas of the Department's budget, you've dropped your efforts and reduced drastically the areas of program funding, yet you persist in these efforts with respect to TRIO.

Aren't attempts to cut funding for the TRIO programs inconsistent with other administration proposals which are supposedly intended to assist minority students and institutions?

Dr. KIMBERLING. Mr. Chairman, we don't think that they are inconsistent at all. Last year, we did propose a $35 million appropriation. We were, at that time, proposing to target funds on the institutions that were impacted with large numbers of minority students.

In view of the fact that we received an appropriation of $164.7 million, we had to go back to the drawing board, so to speak. We believe that our proposals this year reflect some of the needed realities of these programs.

Some issues in the current program authority trouble us quite a bit. We're very concerned, for example, with the fact that an escape clause in the law allows up to one-third of the students participating in these programs not to be "means-tested." We're also concerned with the fact that there is not a commitment to the handicapped in any of the program areas other than special services; we would extend eligibility to handicapped students across all of the TRIO programs.

We're concerned with the potential duplication of activities under the talent search and the educational opportunity centers programs and propose consolidating the authorities and removing the maximum age-cap so that projects in both impacted urban areas serving adults and projects on campuses and in community-based centers can have the flexibility to serve whatever populations they have.

We're concerned with the need to institutionalize the special services programs. As Dr. Elmendorf mentioned, 41.7 percent of the special services projects have received continuous funding for 10 years or more. We believe that there are benefits that accrue to institutions of higher education under these programs in achieving retention of students and minimizing the cost of replacing students, so that institutions should be making more efforts to share costs.

For these reasons and many others, we have proposed, along with the budget, a simplification and consolidation of the program basic law. We have that proposal before the authorizing committees, and we think that a budget of $82.4 million would be adequate to serve the needs of these populations.

NORTHERN MARIANAS COLLEGE UNDER TITLE III

Senator WEICKER. I have a specific question now regarding the title III program as it relates to a specific institution: Northern Marianas College. We understand the Northern Marianas College applied for development and planning assistance under this program.

Could you explain why the Northern Marianas College did not receive a title III grant? And since the Secretary is empowered under the enabling legislation to grant waivers to the limitations for grant eligibility, why did he not grant a waiver to Northern Marianas College last year?

Dr. KIMBERLING. Senator, we've looked at the situation with the Northern Marianas Community College in the context of the Secretary's authority under section 1204 of the Higher Education Act to make special allowances and serve the unique educational needs of the trust territories.

We feel that we have ardently strived to both identify and meet the needs of the trust territories. I would point out that the mechanism in the law requires that a memorandum of understanding—MOU—between the Secretary and the governing body of each trust territory or insular area be in place in order that the Secretary's waivers be granted.

To date, the Northern Marianas have not signed a memorandum of understanding with the Department.

We have MOU's with American Samoa, Guam, and the Trust Territories of the Pacific Islands, including Micronesia. We have given technical assistance. We have sent a program official to the island of Ponape specifically to provide title III planning assistance.

The problem with Northern Marianas Community College seems to be that it did not receive accreditation until March 1983, and the basic title III law requires that an institution be accredited, that it have low E&G expenditures—education and general expenditures—per student, and that it have high average student aid awards.

They do not yet have a full base year for student aid for us to measure comparability with mainland institutions. The conditions in the trust territories' institutions are similar to conditions one might find at mainland institutions and are not unique to the trust territories.

The recency of accreditation of an institution and the fact that it doesn't have a full base year for student aid awards is a condition that many mainland institutions also experience. They are ineligible under basic title III law, and we feel it would be overextending the Secretary's authority to come up with an entirely new eligibility scheme outside of the basic title III law.

Senator WEICKER. I won't argue the point of accreditation. I'm not arguing that point at all.

But let me point out to you that here in the United States if something doesn't work out up the street, then you go across town. There's is nothing else out there. That is it. There are no options, no alternatives.

May I recommend as the chairman of this Appropriations Subcommittee that you people get this together. I'm not in any manner, shape or form suggesting that there should be low standards for education. That's out of my hands and that's out of everybody's hands. There are standards and they should be met.

But there's a certain uniqueness to the situation of these territories, not just the Northern Marianas but any of these island situations where it is the only institution available.

Let's put it this way. They need every bit of help they can get. They are a showcase, I might add, for this country in a very crucial part of the world.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I have some other questions for response to the record on higher education, which will be included at this point.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HIGHER EDUCATION

TITLE III - INSTITUTIONAL ASSISTANCE

Question: Last year, the Congress agreed to your amendments to the Title III Institutional Aid program which established an endowment grant program. Now, less than a year later, you are proposing additional changes to this program which will consolidate and modify the strengthening institutions activity.

What is the status of your proposed changes to the Title III Institutional Assistance program? Is there some particular urgency about amending the program at this juncture so soon after changes were enacted?

Answer: On March 12, 1984, the Department submitted legislative proposals to the Congress which included our recommendations for fiscal year 1985 for the Title III--Institutional Aid programs. The changes we are proposing would improve the administration of these programs, simplify the Title by merging Parts A and B, and reduce the eligibility factors from the current three to two by eliminating the Pell "high average" grant award criteria.

We have been concerned about the potential overlap between Parts A and B which have nearly identical purposes, eligibility requirements, and allowable activities. In addition, our proposal would place greater emphasis on endowment building and institutional "graduation" to self-sufficiency. The 1985 budget request also reflects the Administration's continued commitment to historically black colleges and universities and includes a set-aside of $45.7 million for these institutions.

Question: What percent of Title III funds support predominantly minority institutions?

Answer: Our most recent data indicate that in fiscal year 1983, more than 40 percent of the funds appropriated were used to assist predominantly minority institutions.

Question: How would this percent change under your legislative proposal?

Answer: Our proposal includes a provision to "hold-harmless" current grantees that have multi-year awards until their grant awards terminate. Since most of the awards are multi-year grants, we do not expect any significant shift in the amount, or percentage of funds going to predominantly minority institutions. However, we do expect a greater number of these institutions to be eligible under our legislative proposals.

TITLE III - NORTHERN MARIANAS COLLEGE

Question: How many such waivers did the Secretary grant last year under the Title III program?

Answer: Under current law the Secretary may waive only the educational and general expenditures requirement of the program. In the case of the Northern Marianas College, the College was ineligible because it could not meet the requirement that a

substantial percentage of its enrolled students received high average Pell Grant awards. Since the Secretary does not have authority to waive this requirement, no waivers have ever been granted to institutions that did not meet this requirement.

Question: Will you be seeking to change the eligibility requirements for Title III so that schools like Northern Marianas College would be eligible for funding along with the other changes in the program you are requesting?

Answer: The legislative proposals would enable more institutions which charge low tuition, such as the Northern Marianas College, to qualify for eligibility under the program by eliminating the high average Pell Grant award requirement.

TITLE III - INSTITUTIONAL ASSISTANCE TO DEVELOPING INSTITUTIONS

Question: In FY 1983 and FY 1984, were any multi-year grants made under the Special Needs program of Title III of the Higher Education Act? If so, what would happen to those grants under the proposed merger of the Strengthening Institutions program with the Special Needs program?

Answer: In fiscal year 1983, 173 grants were made under the Special Needs program authorized under Part B of Title III with the vast majority being multi-year. Grant awards have not yet been made for fiscal year 1984. We do not anticipate making any new multi-year awards in 1984 because the Endowment Grant program provides for the transfer of funds from Part B to Part C for endowment purposes.

Our proposal includes a provision to hold-harmless current grantees so that they may continue to receive grants under the terms of the original grant award. Those grantees currently receiving funds under Part B will continue to receive funds until their grant award terminates.

Question: Does your request for FY 1985 funding of Title III Challenge Grant program violate the provision of the Challenge Grant Amendments of 1983 that makes 100 percent of the Challenge Grant funding available in FY 1985 for Endowment Grants?

Answer: The Challenge Grant amendments of 1983 authorize the use of 100 percent of the Challenge Grant funds for endowment grants in fiscal year 1985. The legislative proposals we submitted on March 12 would amend the legislation and would provide for continuation awards for multi-year Challenge Grants made prior to October 1, 1984. When the Department granted institutions multi-year awards, we made a commitment to them for several years. Our proposal would provide funds for these multi-year awards until their termination.

Question: Does the Federal Government have multi-year commitments with Challenge Grant recipients? How many? When will no further Challenge Grant funding be provided to schools?

Answer: Yes, as previously stated, the Department has made multi-year commitments to Challenge Grant recipients. In fiscal year 1983, 56 awards were made under the Challenge Grant program. In fiscal year 1985, we estimate that 21 institutions would continue to be eligible for multi-year grants. No additional Challenge Grant funding would be necessary after fiscal year 1986.

TRIO

Question: Your FY 1985 request for the TRIO programs is $82.37 million, a 50 percent reduction from the FY 1984 amount we appropriated. Last year's budget proposed an even greater reduction for TRIO.

In most areas of the Department's budget, you have dropped your efforts to reduce drastically various program funding levels, yet you persist in these efforts with respect to TRIO.

Are the TRIO programs particularly ineffective? What have recent evaluations found out about TRIO?

Answer: The TRIO programs began with the Talent Search program almost sixteen years ago. Four other programs have been added over the years to help provide remediation, and academic and financial counseling for current and potential postsecondary students. Each program is administered and applied for separately, and the current legislation authorizes similar activities and services under more than one program. The Department proposes to streamline these programs and reduce the administrative burdens that accompany them. We believe administrative efficiencies can be realized if the five separate, and somewhat duplicative, programs are consolidated.

The Department's proposals include consolidating the very similiar Talent Search and Educational Opportunity Centers programs into a new Talent Search and Assistance program and eliminating Staff Training. Although we have not requested funds for these programs in 1985, their activities would be allowable under the Special Services and Upward Bound programs for which we are seeking funds. Special Services grantees would be required to share increasingly in the costs of their projects and to "graduate" from the program. The Upward Bound institutional participants would be required to provide 10 percent of project costs and the consolidated Talent Search and Assistance program would require institutions to meet 25 percent of costs. These programs have proven successful and now should be increasingly supported at the local level.

The evaluations which have been conducted of the Upward Bound and Special Services programs have shown them to be effective in encouraging students to enroll in a postsecondary program, and at helping them to persist in that program. This has been taken into account in our request for funding of these programs.

The evaluation of the Special Services program conducted by the System Development Corporation found that: (1) students who receive the full range of SSDS services were 2.26 times more likely to complete the freshman year than similar students who did not

receive such services; (2) students receiving more financial aid are more likely to persist through their first year; and (3) SSDS students attempted and completed more course units than did the students who did not participate in these services.

The best evidence that we have on the Upward Bound program's success is an evaluation of the program completed in 1979 by the Research Triangle Institute. This study concluded that:

- o Upward Bound has a large positive influence on postsecondary entrance. About 91 percent of the typical UB participants entered some type of postsecondary education while about 72 percent of comparable non-participants entered.

- o Upward Bound influences the types of institutions entered and the types of individuals who enter. Of the students that entered postsecondary education about 73 percent of typical UB participants attended a four-year college or university. The comparable rate for nonparticipants was 50 percent. Indeed, 22 percent of the nonparticipants attended a vocational technical school in comparison to 9 percent of typical UB participants.

- o Upward Bound has an impact on participants' financial aid. Typical Upward Bound participants more frequently received Basic Educational Opportunity Grants (79 percent vs. 59 percent), Supplemental Educational Opportunity Grants (20 percent vs. 8 percent), National Direct Student Loans (27 percent vs. 10 percent) and College Work-Study while taking courses (29 percent vs. 16 percent). Overall, typical Upward Bound participants received an average of $1,428 in grants and $393 in loans as compared with $389 in grants and $300 in loans for nonparticipants.

- o Upward Bound has an impact on participants' usage of supportive services. Typical participants used available tutoring and counseling services more frequently than non-participants.

- o Overall, UB had a large positive effect on student persistence. Summed over all types of schools, typical UB participants maintain their enrollment for one or more terms longer than comparable nonparticipants. Controlling for the type of school attended, UB participants persist slightly longer (i.e. one-fifth of a term) than comparable nonparticipants.

- o Summed over all types of schools, typical UB participants earned more credits than comparable nonparticipants. However, after controlling for the type of school attended, typical UB participants earned slightly fewer credits than comparable nonparticipants.

- o Typical UB participants generally attended institutions that offered higher degrees and were more selective than institutions, attended by nonparticipants.

- Of the typical UB students who entered postsecondary institutions, 74 percent went to four-year institutions as compared to 43 percent for the non-participants.

- Of the typical UB students who entered four-year institutions, 30 percent graduated as compared to 17 percent for the non-participants.

No evaluations of program effectiveness have been conducted on Talent Search and Educational Opportunity Centers.

Question: Aren't attempts to cut funding for the TRIO programs inconsistent with other Administration proposals which are supposedly intended to assist minority students or institutions?

Answer: We believe that our fiscal year 1985 budget proposals would continue to support educational opportunity for disadvantaged students. Let me give you several examples. First, in the Pell Grant program, the changes we have proposed would increase opportunities for students from low-income families through higher awards--broadening the choices these students would have in selecting from among a variety of higher education institutions and programs. Secondly, disadvantaged students would also continue to be served through what we believe to be the most effective of the TRIO programs--Special Services and Upward Bound. With the proposed changes we have submitted for these programs--a 10 percent cost-sharing under Upward Bound, and an increasing percentage of cost-sharing under Special Services--more institutions will have access to Federal assistance in providing these services which will widen minority participation under these programs.

In addition, our budget also reflects the Administration's commitment to minority institutions and to the students that attend these institutions, as evidenced by the funding levels requested for the Title III Institutional Aid programs and the Minority Institutions Science Improvement program. Federal funds are targeted to these institutions which enroll substantial numbers of students from low-income families.

Question: What is your rationale for requiring institutions to share the costs of Special Services and Upward Bound projects?

Answer: As part of our budget strategy, we have targeted Federal support on the Special Services and Upward Bound programs which provide more intensive services and have been shown to be more effective. Our proposal for the Special Services program would require grantees to share increasingly in the costs of their projects and "graduate" from the program. This would ensure greater institutional commitment and would allow more and more institutions to receive Federal funds when other institutions graduate from the program. For the Upward Bound program, institutional participants would be required to provide 10 percent of project costs. We feel that these programs have proven successful and now should be increasingly supported at the local level.

MINORITY INSTITUTIONS SUPPORT, SCIENCE IMPROVEMENT PROGRAM

Question: How many institutions which received a grant under the minority science and improvement program in FY 1984 also received a grant under the Institutional Aid program (Title III of the Higher Education Act)?

Answer: Grant awards have not been made for fiscal year 1984 in either the Minority Institutions Science and Improvement program (MISIP) or Institutional Aid programs. The most recent data available are for fiscal year 1983. Of the 37 institutions that received a grant award under MISIP, 24 also received a grant award under the Institutional Aid programs.

Listed below are the names of institutions receiving both MISIP grants and Institutional Aid program funds.

Benedict College, South Carolina
Bennett College, North Carolina
Colegio Universitario Metropolitan, Puerto Rico
Coahoma Junior College, Mississippi
Cuyahoga Community College, Ohio
Delaware State College, Delaware
Edward Waters College, Florida
The College of Ganado, Arizona
Polytechnic Univeristy of Puerto Rico, Puerto Rico
Talladega College, Alabama
Florida A&M, Florida
Albany State College, Georgia
Grambling State University, Louisiana
Fayetteville State University, North Carolina
North Carolina Central University, North Carolina
Oglala Sioux Community College, South Dakota
Knoxville College, Tennessee
Jackson State College, Mississippi
Philander Smith College, Arkansas
Stillman College, Alabama
Southern University A&M College, Louisiana
Bowie State College, Maryland
University of Puerto Rico, Aquadilla Regional College, P. R.
Sinte Gleska College, South Dakota

Question: Since institutional aid funds can also be used to enhance science programs at minority institutions, could these funds have been used in lieu of minority science program funds?

Answer: Under current law, Institutional Aid program funds may be used to enhance science programs at institutions that have received a grant award. Under the Minority Institutions Science Improvement program (MISIP), funds are authorized to enhance science planning capabilities at eligible institutions having no formal planning mechanisms and to support activities such as the development of curricula materials, dissemination of career opportunities in the sciences, seminars for students, faculty training to develop specific skills, and purchasing needed equipment to improve their science programs. It is unlikely that institutions

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receiving a grant award under both the MISIP and Institutional Aid programs would use the institutional aid funds for science improvement activities. It is more likely that those institutions would use MISIP funds for improvement of their science programs since MISIP specifically authorizes only those activities.

Question: Could you tell us what you mean by "capability enhancing activities" that your justifications state were supported with Minority Science Improvement funds?

Answer: The phrase, "capability enhancing activities" refers to improving the competencies of students and/or faculty, in the sciences. An example of "capability enhancing activities", initiated under the Minority Institutions Science Improvement program, is a project at Clark College in Georgia. This two-year comprehensive project is designed to improve instruction in physics, mathematics, chemistry and biology by the enhancement of learning experiences for students through the design and use of relevant and carefully structured microcomputer based learning activities. Both students and faculty are expected to improve their knowledge and skills in all of these areas.

Question: Could you explain how your recommendation to maintain funding for the Minority Science Improvement program at the FY 1984 appropriation level of $4.8 million, would complement activities supported under the President's math and science initiative?

Answer: The Administration's proposal for the math and science initiative would provide formula grants to States for scholarships to train qualified secondary math and science teachers. This initiative was developed to address the problem of shortages of math and science teachers in the Nation's elementary and secondary schools. While this problem has been identified at the secondary school level, it also exists at the postsecondary level. In fact, similar problems exist at postsecondary institutions, particularly at minority institutions.

MISIP funds provide financial resources needed to plan for and implement improved programs of science instruction to remove barriers faced by these institutions in providing quality science education including (1) lack of resources for supporting science and engineering education; (2) shortage of laboratory equipment and personnel to provide students with "hands on" experience; (3) no tradition of science and engineering research at the minority institutions; and (4) lack of appreciation on the part of administrators for the intensive training that minority students will require to become scientists and engineers.

The students at institutions eligible for funding under MISIP represent a large, relatively untapped, resevoir of scientific talent. With improved science education opportunities these students will be able to redress the current underrepresentation of certain minorities within the scientific and engineering community and make a large contribution to the Nation's need for trained manpower in these fields. By providing such opportunities, MISIP will contribute to the reduction in shortages of key scientific personnel.

INTERNATIONAL EDUCATION AND FOREIGN LANGUAGE STUDIES

Question: A number of recent reports have found a serious deterioration in our Nation's foreign language and area studies proficiency. Even your own Commission on Excellence in Education highlighted such deficiencies in our Nation's educational system pointing out that only eight States require schools to offer such courses and none requires that students actually take these courses. As recently as two weeks ago, in response to a new report on the same subject, you stated that "in no place is reform more urgently needed than in our language instruction."

Again, this year's budget would eliminate the $30 million International Education Program within your Department, which provides support to universities, scholars, etc., for intensive study here and abroad in languages and cultural education. How do you explain this request in light of overwhelming evidence of this serious deficiency in our educational system?

Answer: The programs currently supported by the Department have little direct impact on what we believe to be the paramount need in international education and foreign language studies, that being increased and improved foreign language studies in the education community at large--elementary and secondary schools in particular. Accordingly, we do not believe that a proposal to discontinue funding for these limited-scope, highly specialized programs is inconsistent with our call for reform in foreign language instruction.

As your remarks point out, we have stated that "in no place is...[reform] more urgently needed than in our language instruction." It is important to note, however, that in the larger context of those remarks, we characterized the proper involvement of the Department and its advisory board as one of "plac[ing] before the public recommendations for change, reform and renewal ...."

We believe that our Nation's serious deficiency in foreign language studies is rooted in the lack of curricular requirements and other standards of excellence in our elementary and secondary schools. We believe further, that fundamental responsibility for the financial support of basic academic studies (including foreign language instruction) in American education lies with the schools, school systems, and institutions themselves.

The appropriate role of the Federal Government in this matter is one of leadership. To the extent that we can successfully encourage State and local school boards and educational agencies, as well as colleges and universities, elementary and secondary schools, administrators, teachers, students, and parents to commit themselves to foreign language literacy and improved international education coursework, America's capability and performance in these studies will excel.

Most notably, the commissioning and issuance of the report of the President's National Commission on Excellence in Education, "A Nation at Risk: The Imperative for Educational Reform" and the recently announced "Presidential Academic Fitness Awards" illustrate the kind of leadership that can effectively challenge the Nation's

schools. Already, we are witnessing the proposal and establishment of strengthened curricular standards in school systems across the country--often including recommendations for more emphasis on foreign language studies. We believe that at least some of this strengthening of school curricular requirements has been influenced, if not wholly encouraged, by the Federal Government's leadership activities.

The Department's international education and foreign language studies programs focus only on the development and maintenance of high-level expertise in certain critical languages, cultures, and aspects of international affairs. These programs are really designed more to address national security, defense, and foreign policy needs than the Nation's foreign language literacy, in general. We believe that the Federal Government's response to these types of needs is better left to those agencies with substantive interests (i.e., the State and Defense Departments and the U.S. Information Agency). These agencies already provide considerable support directed toward meeting Federal-level needs in international education and foreign language studies, and the Administration is fully committed to enabling them to continue to do so.

Question: Did you consult with any of the Federal foreign service agencies or the Department of Defense in preparation of this particular request?

Answer: Yes, we consulted with relevant Federal agencies, including the U.S. Information Agency and the Departments of Defense and State, as part of our deliberative process on the fiscal year 1985 budget proposals. We are well-informed with respect to both the training needs and current programs and activities of those agencies relative to international education and foreign language studies.

Question: The budget says that few benefits from International Education programs accrue directly to the Federal Government and concludes, therefore, that agencies such as DOD, the State Department and USIA which have specialized needs are best suited to carry out these programs.

Are you saying that our government must have a direct foreign policy or defense interest in foreign language study or international studies?

Answer: We believe that the Federal Government does, in fact, have a direct defense and foreign policy interest in international education and foreign language studies. We believe further, however, that those needs are being largely addressed by several other agencies with more substantive interests in these studies, and that these agencies are the more appropriate providers and determiners of Federal needs and responsive activities. Where the Federal Government does not have a direct interest (such as in determining curricular standards relative to basic academic studies), we believe that our role should be limited to one of leadership. We have been exercising that leadership role vigorously over the past year.

Question: What about the commerce or culture interest?

Answer: The Nation's cultural interest in international studies is both important and laudable; there is great value in having a citizenry that is both knowledgeable of other cultures and well-informed on international affairs. We believe, however, that financial support for satisfying such an interest is more appropriately left to State and local school systems, higher education institutions, and the private sector.

Question: What about the need to develop teachers who can instruct students in languages?

Answer: Unlike the circumstance with science and mathematics teaching, we have no firm evidence to suggest that there is a critical, national shortage of available trained personnel in foreign language teaching.

INTERNATIONAL EDUCATION - RESOURCE CENTERS

Question: To what extent does the Department of Education monitor the content of coursework and materials supported with Federal appropriations in the foreign language and international resources centers to assure that they are objective and lacking bias?

Answer: When the Department provides Federal financial assistance to schools, school systems, or institutions of higher education, it is prohibited by statute from directing or controlling in any way curricular materials that may be developed with that assistance. Section 103(b) of the Department of Education Organization Act states that "No provision of a program administered by the Secretary...shall be construed to authorize the Secretary...to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution...or over the...content of library resources, textbooks, or other instructional materials...."

Where discrimination may be involved, however, the Department's Office for Civil Rights is empowered to monitor institutions and to investigate complaints concerning actions, policies, or practices that may be prohibited under Federal and constitutional law.

Question: Is the Department aware of any complaints that university based centers supported with Federal dollars may be slanted or biased in the materials it develops regarding any particular area of study?

Answer: The Department is aware of one instance in which allegations have been made about materials used by a National Resource Center.

The allegations were first made over two years ago. Since that time, a number of efforts have been made to encourage the institution to resolve the concerns of the involved community group. Last autumn, an independent board of scholars, jointly appointed by the institution and the community group, reviewed the situation and

submitted a report. The report supported the actions and decisions of the institution and the Center staff. The institution has, however, instituted new supervisory mechanisms for the Center, as recommended by the board of scholars.

INTEREST SUBSIDY GRANTS

Question: Interest subsidy grants are paid to colleges that obtained private loans for construction projects and are used to pay the difference between market rate and the 3 percent or so the institutions would pay for interest. For FY 1985, the amount needed to meet Federal interest commitments would be reduced by $5,225,000 in unobligated balances.

What is the origin of the estimated $5,225,000 "unobligated balance" in the Interest Subsidy Grant program account?

Answer: Over the years, as commercially-secured institutional loans were approved by the Department for interest subsidies, we developed corollary estimates of the annual levels of funds needed to fulfill the Government's commitment. The subsidy requirements were difficult to estimate with precision, however--especially given the uncertain construction-start dates for many facilities, construction postponements, and some eventual project cancellations.

A number of variables, including these, have combined in recent years to result in the program's current unobligated balance.

Question: How long has this unobligated balance been available within this program account and if available in the past, why have you waited until the FY 1985 budget to use it to reduce required budget authority?

Answer: At any given point in time, we would fully expect there to be some level of unobligated monies available in this program's fund balance. The current level of unobligated balance accumulated slowly over the last several years. Only during the past year, however, as Department staff have worked vigorously to deobligate and recover funds from inactive projects, has the existence and availability of such a substantial sum of carryover funds become apparent. Accordingly, we are now proposing to use these available monies to offset our current request for budget authority.

GRADUATE AND PROFESSIONAL OPPORTUNITY PROGRAM

Question: How optimistic are you that the majority of the current 1,300 Graduate and Professional Opportunity Fellowships (GPOP)--averaging about $8,300 apiece in FY 1984--could be replaced with comparable fellowship grants from other sources, if your FY 1985 budget request were accepted?

Answer: We are quite confident that support will continue to be available for graduate students from private sources, State and local governments and through student financial assistance programs, in particular the Guaranteed Student Loan and College Work-Study programs. The Department annually publishes a list of

opportunities available to women and minorities. This list identifies potential sources of financial aid available from private sources and States. Also, the National Science Foundation supports two graduate fellowship programs for students who plan to pursue study in the science fields.

Question: More specifically, could you provide a list for this Committee of the specific "...foundations, and other private sources" as stated in your justification, that have indicated to you their intention of providing major new replacement fellowships for this program in FY 1985, as well as the amounts of such new fellowship aid?

Answer: Below is a list of new sources that would provide fellowship aid:

Arts and Sciences

National Endowment for the Humanities--Constitutional Fellowships (Maximum stipend $25,000)

National Endowment for the Humanities--Faculty Graduate Study Program (Maximum stipend $25,000)

National Endowment for the Humanities--Fellowships at Centers for Advanced Study (no amount listed)

National Endowment for the Humanities--Summer Seminars for College Teachers (Maximum stipend $3,000)

National Endowment for the Humanities--Summer Seminars for Secondary School Teachers (Maximum $2,350)

National Research Council--Postdoctoral Fellowships for Minorities (no amount listed)

Health and Medicine

The Robert Wood Johnson Foundation's Minority Medical Faculty Development Program (Maximum $35,000)

Political Science and Public Administration

Congressional Black Caucus Foundation Congressional Fellows Program (Maximum annual $15,000)

Legislative Fellows for Women and Public Policy (Maximum stipend $8,000)

Question: What is your rationale for the proposed elimination of FY 1985 funding for the Graduate and Professional Opportunity Fellowships program while at the same time proposing a new math and science teacher education program?

Answer: The purpose of the Graduate and Professional Opportunities program is to provide access for minorities and women in academic and professional fields in which they have tradi-

tionally been underrepresented. The Administration's proposal for our math and science initiative focuses on the growing shortage of qualified science and mathematics teachers at the secondary level in grades 9 through 12. Fellowships under the GPOP program generally are awarded to those pursuing a master's or doctorate degree and in most cases would not be interested in teaching at the secondary school level. However, these students may be eligible for training under this initiative.

LEGAL TRAINING FOR THE DISADVANTAGED

Question: The FY 1985 budget justifications note the effectiveness of the Legal Training for the Disadvantaged program "...in increasing the number of disadvantaged youth who have entered and completed law school," yet the FY 1985 budget requests no funding for this program.

What proportion of the current activities funded under this program realistically might be expected to be continued from non-Federal sources if the Congress were to accept your budget request?

Answer: Prior to Federal funding being made available for this purpose, the Legal Training for the Disadvantaged program was supported entirely from private sources. We believe the success of the program will encourage institutions to continue all the program activities through non-Federal funding sources.

Question: Could you identify the new non-Federal sources of funding that would be available in FY 1985 to continue legal training activities if Federal funding for this purpose were to cease?

Answer: We expect that the Council on Legal Educational Opportunity (CLEO) will be able to raise the required funds from participating institutions and members of the legal profession.

Question: Why are you not proposing any funds for this program when your own budget documents report on its success?

Answer: Cooperating law schools have already absorbed the major share of the program's costs by supporting half of the operational costs of the summer institutes and by waiving the tuition and fees for CLEO fellows. Also, additional student aid is available from a variety of Federal and non-Federal sources. Since this program is recognized as effective, we believe it will be able to attract financial support from philanthropic organizations as well as businesses and other organizations that have an interest in training or employing CLEO fellows.

VETERANS' COST-OF-INSTRUCTION

Question: What evidence have you received from the Veterans' Administration--or other sources--that Federal funding for the Veterans' Cost of Instruction program will not be needed to help serve the educational needs of Vietnam era veterans who will be enrolled in institutions of higher education in the 1984-85 academic year?

Answer: Veterans Administration statistics point out that the Vietnam-era veterans who remain eligibile for benefits (an estimated 2.5 million in 1983) are typically the hard-core unemployed, disadvantaged, and "hard-to-reach." These veterans typically need the more intensive services which are provided by the Veterans Administration itself through counseling centers and hospitals.

Those veterans who planned to attend college have already, for the most part, completed their studies.

Question: What types of educational services are postsecondary institutions typically providing with their FY 1984 Veterans' Cost of Instruction awards, which your justifications indicate will "average" about $3,600 per award?

Answer: Funds provided through the Veterans' Cost-of-Instruction program are used to partially support special institutional services for veterans such as outreach services, recruitment, special tutoring services, and counseling. The program does not provide educational financial aid directly to veterans, as does the Veterans Administration--nor does it typically pay for all or even a major portion of the costs of the special institutional services.

Question: How many postsecondary institutions that currently receive Veterans' Cost of Instruction awards supplement this funding with non-Federal dollars in order to operate their veterans assistance programs?

Answer: Program data indicate that about 90 percent of the institutions currently participating in the program also contribute or receive non-Federal dollars in support of these special veterans' services.

HIGHER EDUCATION FACILITIES CONSTRUCTION

Question: A recent study reports that the total cost of needed repairs and construction on the nation's campuses is an estimated $40 to $50 million. The problem of deteriorating buildings and outmoded facilities has emerged as a major problem threatening the economic and academic stability of our postsecondary institutions.

Has the Department considered this issue? If so, what is being done?

Answer: The Department has considered this issue but has concluded that the Federal Government should not take general responsibility for the maintenance, renovation, and construction of academic and other higher education facilities.

We know that the last decade's several years of high inflation, rapidly increasing institutional energy costs, and generally declining levels of discretionary resources at State and local government levels resulted in the imposition of budget restrictions at colleges and universities across the country. We further recognize that these several years of "lean" higher education institu-

tional operating budgets sometimes translated into deferral of facilities construction, renovation, and maintenance.

Without a doubt, this neglect of facilities and equipment maintenance, repair, and replacement has evolved into an "infrastructure" problem of some magnitude at the higher education level.

We believe firmly, however, that fundamental responsibility for postsecondary institutional support lies with State and local governments and with taxpayers at those levels. We also believe that the private sector should play a role in institutional support--both public and private. We do not believe that the Federal Government should assume responsibility for maintaining the physical plant of either public or private institutions of higher education--especially when we are attempting to restrain spending at the Federal level.

The author of the recent report Crumbling Academe, Mr. Harvey Kaiser, has advised that institutions should set-aside each year an amount equal to 1.5 to 3 percent of the total replacement costs of their building, equipment, and other facilities. We agree with Mr. Kaiser's identification of the need for institutions to manage long-range finances prudently by saving for needed repairs and renovations.

We believe that the appropriate Federal role in higher education is one that simply supports the goals of ensuring access and individual choice in pursuit of that access. Accordingly, the Administration's postsecondary education policy continues to emphasize student aid rather than institutional aid. We are further committed to encouraging and facilitating increased levels of private sector support for higher education.

The Administration has played a significant role in aiding State and local governments and their taxpayers, as well as the private sector, in supporting postsecondary institutions. This has been accomplished through an economic recovery program and policies that have succeeded in generally revitalizing the Nation's economy. Lower inflation, lower interest rates, lower Federal taxes, tax policies supportive of private sector/education partnerships and other manners of support, simplified manners of Federal assistance to State and local governments and--where reasonable--less burdensome Federal regulation have all contributed to enhancing the financial commitment that State and local governments and the private sector can make to higher education.

This economic revitalization has also strengthened the buying power of limited higher education dollars. For example, given total current higher education expenditures of over $64 billion, the nine percentage point decline in the rate of inflation since 1981 has protected the purchasing power of about $5 billion--nearly equaling the entire Federal budget for postsecondary education.

Question: The response of Congress, as you know, has been to support a few individual facility construction projects on an ad hoc basis. One reason given for this approach is that some institutions are aware that they may not be able to compete with the large, well-established research institutions adept at

grantsmanship and better able to win approval of their projects. Such "have-not" institutions also believe they might not be able to come up with the required match necessary to obtain funding under Title VII of the Higher Education Act Facilities program.

Is the Department prepared to work with the Congress to develop an appropriate Federal response to the overall academic facilities problems during consideration of the Higher Education Act reauthorization next year?

Answer: Yes, we are prepared to work with the Congress over the next year on reauthorization of the Higher Education Act, including deliberating on an appropriate Federal response to higher education facilities needs. As pointed out in our response to your previous question, however, we do not believe that the Federal Government should take general responsibility for the maintenance, renovation, and construction of academic and other higher education facilities--especially when we are attempting to restrain spending at the Federal level.

Questions Submitted by Senator William Proxmire

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

Senator Proxmire: You are requesting $11.7 million next year to support the Fund for the Improvement of Postsecondary Education. As pointed out in your testimony, program activities in fiscal 1985 will address national concern such as improving teacher training and developing better programs in mathematics and science. How do the Fund's educational research objectives differ from the research objectives of the National Institute of Education?

Answer: The projects supported by the National Institute of Education are research oriented, studying various implications of education policies and measuring trends in education. The projects supported by the Fund for the Improvement of Postsecondary Education are more action oriented. These projects take ideas which show merit and implement them. The postsecondary education community is advised of the projects which have been shown to be successful and many choose to implement the concepts demonstrated.

GRADUATE SUPPORT
NATIONAL COMMISSION ON STUDENT FINANCIAL ASSISTANCE

Senator Proxmire: Several months ago the National Commission on Student Financial Assistance transmitted its' final report concerning graduate education to President Reagan as well as to Congress. The Commission stated that unless our graduate schools receive adequate support from both public and private sources, by the year 2000 they will not be able to respond effectively to the nation's imperatives and expectations. Although for the rest of this decade academic placement rates in certain fields are expected to remaind depressed, the Commission reports that as the children of the "baby boom" generation reach college age in the 1990's, the demand for graduate and undergraduate faculty will again increase. The Commission report indicates that if the nation continues its present course, it will not have enough faculty members to meet the demands of the academic market as this century ends. How does your postsecondary education budget address this issue?

Answer: While we are equally concerned about the state of graduate education, we do not believe that the limited programs we support at that level--graduate and professional opportunity fellowships, public service fellowships, legal training for the disadvantaged, and law school clinical experience--are the most appropriate Federal support mechanisms.

These programs are highly targeted and serve only a very small segment of the graduate student population. We believe that less-targeted, more generally available aid is the preferable manner of Federal support. Accordingly, loan availability and work opportunities are proposed to be expanded under our fiscal year 1985 budget.

For the college work-study program (under which graduate students receive approximately 10 percent of the total aid available), funding is proposed to be increased by nearly $300 million. This would result in an estimated $30 million more being made available for graduate student employment through the participating institutions. This amount is significantly more than was appropriated in fiscal year 1984 for all of the currently funded, categorical graduate programs. Additionally, graduate students are eligible for and receive support through both national direct student loans and guaranteed student loans.

GRADUATE SUPPORT

Senator Proxmire: Another concern raised by the Commission was the small numbers of talented women who pursue scholarly careers, particularly in the sciences and engineering. Although progress has been made in recent years, particularly following congressional enactment of the Graduate and Professional Opportunity Fellowships program in 1978, the Commission believes it is not enough. You are requesting no funds in fiscal 1985 for this program, because you feel adequate assistance is available under the loan and work-study funds. What percentage of graduate loan and work-study funds were utilized by female graduate students in fiscal years 1982 and 1983?

Answer: Our latest data for loan and Work-Study funds are for academic year 1981-82. In that year approximately 17 percent of the Direct Loans and 10 percent of the Work-Study awards were made to graduate students. If that proportion remains consistent in 1982 and 1983, graduate students will receive Work-Study awards totaling $60 million in 1982 and $67 million in 1983. During these same years, graduate students will receive over $106 million in loans in 1982 and almost $115 million in 1983.

We do not collect data on sex of recipients. However in 1980, females represented 49 percent of the graduate population and would qualify for aid on the same basis as the male population.

Under the Guaranteed Student Loan program, we estimate that $1,788 million was loaned to graduate students in 1983 and $1,843 million in 1984. Again, no data are collected on sex of recipient.

Questions Submitted by Senator Mark Andrews

HIGHER EDUCATION GRANTS

Senator Andrews: As you stated, under current law, cost-sharing by institutions and organizations receiving higher education grants is not required. For FY 1984, how many organizations and institutions received these grants and of that number, how many engaged in cost-sharing?

Answer: Program data shows that the Educational Opportunity Centers program participated in cost-sharing in fiscal year 1984 with 33 projects at 25 percent. No data is available on cost-sharing for the other programs.

TRIO

Senator Andrews: Studies indicate that participants of the Upward Bound program are four times as likely to graduate from college as their non-participating counterparts. Yet, you are requesting a 40 percent reduction in funding for Upward Bound. In addition, the Talent Search program would be virtually eliminated under your proposal, despite the fact that no evaluation of this program has been completed on the national level. Why?

Answer: In fiscal year 1985, we are requesting funding for only the Special Services and Upward Bound programs. These programs have been shown effective through evaluations conducted during the last several years. Our request also includes several program changes which will result in decreased Federal cost. The most significant change is requiring cost-sharing under both the Upward Bound and Special Services programs. In Special Services, this cost-sharing will increase over time as institutions are required to take over full responsibility for the program. By requiring cost-sharing, we believe that these programs will be made more effective as institutions integrate and coordinate the services with others which the institutions provide.

While no direct funding is being requested for Talent Search, Educational Opportunity Centers, or Staff Training programs, the activities authorized under these programs will be made allowable activities under the Upward Bound and Special Services programs. Moreover, our legislative proposal would consolidate the similar Talent Search and Education Opportunity Centers programs into one outreach program.

The Talent Search and Educational Opportunity Centers programs were begun in an era in which many disadvantaged students were unaware of the postsecondary opportunities--both in terms of programs and financial assistance--open to them. Today, this type of information is now more readily available to students through other Federal and non-Federal sources. As previously indicated, the activities authorized under these programs will be made allowable activities under the Upward Bound and Special Services programs.

College Housing Loans

PREPARED STATEMENT

Senator Weicker. OK. Let's move on to college housing loans.

Dr. Elmendorf. There will be no change in the individuals at the table, and I ask you to accept my statement for the record.

Senator Weicker. Your statement will be included at this point.

[The statement follows:]

Statement of Edward M. Elmendorf

I am pleased to have this opportunity to appear before you to present the fiscal year 1985 request for college housing loans. This year, as in fiscal year 1984, we are requesting no budget authority for this account.

Under this program, the Department has provided low-interest loans to institutions of higher education to finance the construction and renovation of housing and related facilities. As in prior years, repayments and interest income on outstanding loans will be used to cover operating costs. Accordingly, no annual appropriation will be necessary.

Up until recent years, a small, permanent indefinite appropriation was required to meet the deficit which results from loaning money to institutions at a rate of 3 percent, while paying 6 percent interest on underlying participation certificates—which were marketed by the Government National Mortgage Association. Such an appropriation is no longer required, however, because there will be sufficient investment income available from the participation sales fund to cover the small deficit.

We are requesting no authority to make new loan commitments under this program in fiscal year 1985. In addition, we are requesting supplemental language to withdraw the authority to make $40 million in loan commitments in fiscal year 1984. No new loans are proposed because there is a diminished need for college housing. Postsecondary enrollments are projected to decline on a national basis and the demographics of the college and university population are changing dramatically. These two factors, most importantly, contribute to the declining need for additional college housing facilities.

Any funds which remain after meeting operating costs will be transferred to the Government National Mortgage Association to further amortize the account's outstanding securities debt on $451.5 million in participation certificates. The final issues of these certificates must be redeemed during 1987–88. Prudent fiscal management requires that available funds be used to make these mandatory debt payments, rather than assuming new loan commitments. Furthermore, the program should begin at least a gradual repayment of the $2.687 billion in oustanding Treasury borrowings. By reducing the amount of these borrowings, the program's substantial annual interest payments to Treasury can be similarly reduced.

This concludes my statement. My colleagues and I would be pleased to answer any questions you may have.

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1983 appropriation	1984 President's estimate	1984 appropriation	1984 revised [1]	1985 estimate
College housing loans:					
(Obligations)	(40,000)	.....	(40,000)	.....	.....
Interest expenses on Treasury borrowings:					
(Obligations)	(67,613)	(73,000)	(72,000)	(72,000)	(74,000)
Interest expenses on participation certificates:					
Budget authority	40	.....	.....	.....	.....
(Obligations)	(28,138)	(28,138)	(28,138)	(28,138)	(28,138)
Loan servicing and management expenses:					
(Obligations)	(883)	(1,505)	(1,065)	(1,065)	(1,287)
Transfer of funds to participation sales fund:					
(Amount transferred)	(47,491)	(97,560)	(76,000)	(116,000)	(115,000)
Total budget authority	40	.....	.....	.....	.....
(Total obligations)	(136,634)	(102,643)	(141,203)	(101,203)	(103,425)
(Total transfers)	(47,491)	(97,560)	(76,000)	(116,000)	(115,000)

[1] The 1984 revised level reflects proposed supplemental language to remove the requirement that $40 million in new loan commitments be made. This would result in a $40 million increase in funds available for transfer to GNMA to further amortize the outstanding debt on participation certificates.

BUDGET REQUEST

Dr. ELMENDORF. For the college housing loan program, we are requesting no budget authority. Loan repayments and other income into the fund will more than cover the program's operating expenses.

We have, as you know, an interest rate of 3 percent under this program. Simultaneously, we're paying 6 percent interest on Government National Mortgage Association—GNMA—participation certificates that underlie some of the loans. We need to cover that deficit and we also have to pay the program's operating expenses.

We request supplemental language to withdraw the authority for $40 million in loan commitments for fiscal year 1984. With the changing demography of higher education student enrollments and the finding that less than 1 percent of the resident students are living in substandard housing—according to a recent study by the American Council on Education—we believe that the need for college housing is greatly diminished.

As the Senator stated, the higher education demography is moving toward more adult learners, more older students attending institutions of higher education. There is not as much likelihood that these older students will need residential facilities on the same scale as the traditional 18- to 22-year-olds.

That concludes my statement for the college housing loan program, Mr. Chairman.

GNMA PARTICIPATION CERTIFICATES UNDER COLLEGE HOUSING

Senator WEICKER. Assuming that Congress does not rescind the authority to make $40 million in new college housing loans in fiscal year 1984, what effect will this new loan requirement have on your plans to retire the remaining Government National Mortgage Association participation certificates on schedule?

Dr. KIMBERLING. Mr. Chairman, this year, we plan to commit $76 million from the revolving fund for amortization of GNMA participation certificates. With an additional $40 million that would become available given no new loan commitments, we would be able to transfer $116 million toward our GNMA liability.

We currently have a balance of $360.7 million remaining due and payable to GNMA on or before fiscal years 1987 and 1988. We're striving to get that bill paid off before it becomes fully due and creates an appropriations problem.

COLLEGE HOUSING LOAN DISCOUNTING AUTHORITY

Senator WEICKER. In fiscal year 1984 the Congress, through the Appropriations Committee, agreed to grant the Secretary of Education the statutory authority for 1 year to negotiate the retirement of outstanding college housing loans. It was Senator Stevens' amendment.

This could result in a reduced amount of institutional loan obligations so long as it would, in the long run, be in the best financial interests of the Government.

To date, how many loans have been negotiated thus far under the terms of this amendment?

Dr. KIMBERLING. Mr. Chairman, we haven't negotiated any yet. Our regulations implementing this amendment are in final clearance at OMB. They should be published shortly.

We have worked very closely with Senator Stevens and his staff on the implementation of this provision. We feel that the "present value" discounting formula that we have decided on offers a strong incentive for prepayment. We have received very important interest in this authority from NACUBO—National Association of College and University Business Officers—from the Association of Small Private Colleges, and from other groups that are getting the word out very quickly.

We have one organization in Oregon, for example, that would like to retire the debts on about five institutional loans—just in the State of Oregon. Within the next 30 to 60 days, as the regulation takes hold, we expect this to become a very popular item.

We note that, in mid-April, the one association is even holding technical assistance workshops on its own to help institutions calculate cost benefits. We think May and June will be very busy months.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. I have some additional questions for response to the record. Last, we cover the education research activities overseas.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question. Assuming the Congress does not rescind the authority to make $40 million in new college housing loans in fiscal year 1984, (the only rescission request by the Department of Education), what effect will this new loan requirement have on your plans to retire the remaining Government National Mortgage Association (GNMA) participation certificates on schedule?

Answer. We have estimated that the program could support no more than $15 to $20 million in new loan commitments during fiscal years 1984–87 ($60 to $80 million total) without unduly risking account insolvency or requiring a congressional appropriation. Accordingly, the effect of providing $40 million in new loans in 1984 would be to decrease the projected loan volume that the program could further accommodate to $5 to $10 million annually (fiscal years 1985–87).

[NOTE.—Actually, the decrease in available funds that would result from $40 million in new loan commitments being made this year would likely be even greater than that same $40 million—for this reason: a reduction of $40 million in the amount scheduled to be transferred to the Government National Mortgage Association (GNMA) participation sales fund (which would be necessitated by any similar amount of new loans this year) would translate into an estimated additional $12 million loss in projected investment income during 1985–87.]

Any higher level of new loan commitments, without a congressional appropriation, would likely incur account insolvency and an inability to retire on schedule (1987–88) some amount of the $451.5 million in GNMA participation certificates.

More importantly, however, we are requesting that authority to make new loans be withdrawn because there is a diminished need for college housing. This can be attributed largely to the changing demographics of the postsecondary student population. For example, whereas in 1970, more than 72 percent of enrolled students were of the traditional age group (under 25 years old), by 1982, that percentage had fallen to 61 percent. By 1992, this percentage is projected to again decline substantially to less than 52 percent. Inasmuch as the older, nontraditional student is less likely to need on-campus housing, the demand for this housing is exepcted to decline.

In the absence of data that demonstrate that there is a real need for college housing facilities, we cannot justify continued expenditures in support of the construction of new facilities—while jeopardizing our plan for redeeming the GNMA participation certificates on schedule.

Question. In fiscal year 1984, the Congress, through the Appropriations Committee, agreed to grant the Secretary of Education the statutory authority for 1 year to negotiate the retirement of outstanding college housing loans (Stevens amendment). This could result in a reduced amount of institutional loan obligation so long as it would, in the long run, be in the best financial interests of the Government.

To date, how many loans have been negotiated thus far under the terms of this amendment?

Answer. Since we are only now publishing the notice of proposed rulemaking relative to this new authority, no loan discounts have yet been negotiated.

Question. Would you provide a list of such institutions whose loans have been reduced under the terms of the amendment, along with the amount of the loans that have been forgiven?

Answer. As stated in our response to your previous question, no loan discounts have yet been negotiated under the new authority.

Question. How many more such "loan retirements" do you expect to be making before the year is through?

Answer. Since we are only now publishing the notice of proposed rulemaking to implement the loan discounting authority, it is too early to estimate the response of the higher education community. We have already received a number of informal, exploratory inquiries, however.

Question. Since this is a policy that the administration supports, are you seeking the statutory authority to continue the college housing loan reduction authority beyond the 1 year we have allowed by asking the authorizing committees to take such action?

Answer. Yes; the President's fiscal year 1985 budget proposal (education general provisions) requests that the loan discounting authority be extended for another fiscal year (through September 30, 1985).

HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

PREPARED STATEMENT

Dr. ELMENDORF. Mr. Chairman, did I cover the higher education facilities loans and insurance program for which we are requesting $14.2 million? Would you like me to go back to that? I think I skipped it.

Senator WEICKER. No; you're right. Go right ahead.

Dr. ELMENDORF. For this account, I ask you to accept my statement, and I'll summarize it very quickly.

[The statement follows:]

STATEMENT OF EDWARD M. ELMENDORF

I am pleased to have this opportunity to appear before you to present the fiscal year 1985 request for higher education facilities loans and insurance. In fiscal year 1985, $14.2 million is requested for this account under an annual appropriation, a decrease of $5.6 million from the fiscal year 1984 request. No funds will be required under the permanent indefinite appropriation.

Under this program, the Department has provided low-interest loans to institutions of higher education to finance the construction and renovation of academic facilities. Because the interest rate on funds borrowed from the Treasury is higher than the rate of interest on the loans made under this program, an annual appropriation is normally necessary to cover the resulting deficit. Prior to fiscal year 1982, however, no significant annual appropriations were required because each year's unobligated balance in the loan account had been sufficient to cover any operating deficit. In 1982, however, the account's unobligated balance was depleted.

In fiscal year 1985, as in prior years, no funds are requested for construction of new facilities under this program.

We plan to increase funds transfers to the Government National Mortgage Association to further amortize the account's outstanding securities debt on $108 million in participation certificates. The final issues of these certificates must be redeemed during 1987–88. Available funds should be used to make these mandatory debt payments.

This concludes my statement. My colleagues and I would be pleased to answer any questions you may have.

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1983 appropriation	1984 President's estimate	1984 appropriation	1985 estimate
Interest expenses on Treasury loans:				
Budget authority	19,973	19,748	19,548	13,994
(Obligations)	(32,431)	(32,584)	(36,111)	(30,000)
Interest expenses on participation certificates:				
Budget authority	134	98	98	.....
(Obligations)	(6,508)	(6,508)	(6,508)	(6,508)
Loan servicing and management expenses:				
Budget authority	170	.....	200	200
(Obligations)	(170)	(100)	(200)	(200)
Transfer of funds to participation sales fund:				
(Amount transferred)	(6,943)	(15,717)	(17,271)	(16,000)
Total budget authority	20,277	19,846	19,846	14,194
(Total obligations)	(39,109)	(39,192)	(42,819)	(36,708)
(Total transfers)	(6,943)	(15,717)	(17,271)	(16,000)

BUDGET REQUEST

Dr. ELMENDORF. We are requesting no funds under the permanent indefinite appropriation, although $14.2 million is requested under an annual appropriation.

That's to cover the difference in interest costs between our Treasury borrowings and the program's institutional loans. There is no new construction anticipated under this account.

We plan to increase our funds transfers to GNMA to further amortize the account's securities liability on $108 million in participation certificates. $108 million will be due in 1987–88 on this debt.

That concludes my statement on higher education facilities loans and insurance.

HEFLI LOAN COLLECTIONS

Senator WEICKER. The Department's justifications for the higher education facilities loans and insurance indicate that a credit management improvement plan for this program was developed and implemented during 1982 and that $27.974 million was collected in 1983, an amount that exceeded the projected level.

What are your projected collection levels for this program in both fiscal 1984 and 1985?

Dr. KIMBERLING. Let me do some quick math, if I may. For academic facilities, I believe the overall collections figure in 1984 is $18.4 million in loan repayments and $11.6 million in interest income for a total of about $30 million. In 1985, the collections are projected to be $20.9 million in loan repayments and $11.1 million in interest for a total of $32 million. As these numbers show, our collection levels continue to rise each year.

Senator WEICKER. Will the current pace of amortization be sufficient to meet all principal obligations in 1987 and 1988 without the aid of congressional appropriations?

Dr. KIMBERLING. Our present projections are that we are going to need to request a slightly decreasing level of appropriations to cover both the GNMA participation certificate liability and the Treasury interest expenses for some time to come.

Apparently, the unobligated balance in the revolving fund was sufficient to cover these costs through fiscal year 1982. From that year forward, however, as that balance was depleted, we've needed an appropriation. But we're in slightly better shape with respect to GNMA in this program than we are with the college housing program in which we have a larger debt looming ahead of us.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. OK. Let's move on to the last topic, the education research activities overseas. I will have additional questions for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question. The Department's justifications for the higher education facilities loans and insurance indicate that a credit management improvement plan for this program was developed and implemented during 1982, and that $27.974 million was collected in 1983—an amount that exceeded the projected level.

What are your projected collection levels for this program in both fiscal year 1984 and 1985?

Answer. We are projecting collection levels of $29.975 million ($18.375 million in loan repayments and $11.6 million in interest payments on those loans) for fiscal year 1984, and $32.028 million ($20.928 million in loan repayments and $11.1 million in interest) for 1985.

Question. How much budget authority do you currently anticipate may be required under this appropriation account between now and the end of the fiscal years 1987 and 1988, in order to complete the retirement of the 1967 and 1968 participation sales certificates that will mature in 1987 and 1988?

Answer. We anticipate that the program will continue to require a $10 to $20 million appropriation each year for the foreseeable future. The appropriation is necessary to pay the program's operating costs, which are expected to continue to exceed the account's revenue (loan repayments and interest income).

Question. Will the current pace of amortization be sufficient to meet all principal obligations in 1987 and 1988 without the aid of a congressional appropriation?

Answer. Our planned level of transfers to the Government National Mortgage Association (GNMA) participation sales fund will be sufficient to retire on schedule the account's $108 million in outstanding participation certificates. Nonetheless, annual appropriations will continue to be required for this program for the foreseeable future. Not only does the account have its GNMA securities liability to meet by 1987-88, it also has a "built-in" operating deficit related to outstanding Treasury borrowings that support the program's institutional loans. Because the interest rate on funds borrowed from the Treasury (based on a derivative of an average Treasury bill rate) is higher than the rate of interest returned to the revolving fund on the institutional loans made under this program, there is a resulting deficit that occurs every year.

EDUCATION AND RESEARCH OVERSEAS

PREPARED STATEMENT

Dr. ELMENDORF. I ask you to accept my statement for the record. [The statement follows:]

STATEMENT OF EDWARD M. ELMENDORF

I am pleased to appear before you today to present the fiscal year 1985 request for education and research overseas.

There are two activities funded under this account. Education activities overseas supports training, research, and curriculum projects designed to contribute to strengthening the capability, performance, and overall excellence of American education in foreign language and area studies and in international education. Rehabilitation research supports applied research projects designed to strengthen the quality and to improve methods of rehabilitation service delivery to handicapped persons.

This account is funded solely with foreign currencies held by the Treasury which are determined to be in excess of other Government requirements. No U.S. dollars are expended. Currently, excess foreign currencies are available for India, Pakistan, Burma, and Guinea. These funds, however—especially Indian and Pakistani currencies—are expected to move out of excess status in the near future.

Given the rapidly diminishing availability of excess foreign currencies, no additional funds are requested; the account will be phased out. However, the account's anticipated carryover balance into 1985 will be used to support activities at roughly current levels. Any unobligated funds at the end of 1985 will be returned to the Treasury.

This concludes my remarks. My colleagues and I would be pleased to answer any questions you may have.

BUDGET AUTHORITY BY ACTIVITY

	1983 appropriation	1984 President's estimate	1984 appropriation	1985 estimate
Rehabilitation research				
(Obligations)	($421,000)	($715,000)	($1,285,000)	($785,000)
Education activities overseas	516,000	1,750,000	1,133,000	
(Obligations)	(419,000)	(1,750,000)	(1,333,000)	(1,316,000)
Social services research				
(Obligations)	(3,000)			
Total budget authority	516,000	1,750,000	1,133,000	
(Total obligations)	(843,000)	(2,465,000)	(2,618,000)	(2,101,000)

SUMMARY STATEMENT

Dr. ELMENDORF. The activities funded under this account support training, research, and curriculum development projects. Our intent here is to get you to consider phasing out these programs.

There is a reduced level of foreign currencies available for this account. There will be carryover available, however—$2.1 million for 1985. The excess currencies are from four countries: India, Pakistan, Burma, and Guinea. We expect, however, that these currencies will be depleted in the near future, and, accordingly, we request no additional funds and that the account be phased out.

That concludes my statement, Mr. Chairman.

Senator WEICKER. What is the current level of excess foreign currency available to support the education and research activities overseas pro-

gram? What do you expect that level to be at the end of fiscal year 1985?

Dr. ELMENDORF. For 1984, there are funds available for obligations of $2.6 million. We are requesting carryover authority of $2.1 million for 1985. We expect that there will be no funds left at the end of fiscal year 1985.

Senator WEICKER. None.

Dr. ELMENDORF. None.

Dr. KIMBERLING. None. In the near future, Mr. Chairman, it is expected that, in particular, the Indian and Pakistani excess currencies will be depleted.

Senator WEICKER. Do you think the Federal Government should continue supporting the education and research activities program even if excess currencies would no longer be available? Could these actually be funded through Department of Education programs?

Dr. KIMBERLING. Many of these activities in the international education area can be funded through the Fulbright exchange programs of the U.S. Information Agency, for which the administration has requested a 20-percent increase.

I'm not an expert on some of the overseas rehabilitation activities that are funded, but we do intend to expend about $785,000 from the unobligated balance for these activities during fiscal year 1985.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. There will be additional questions for response to the record on all the matters covered today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

EDUCATION AND RESEARCH OVERSEAS
(SPECIAL FOREIGN CURRENCY PROGRAM)

Question: What is the current level of excess foreign currency available to support the Education and Research activities overseas program?

Answer: Currently (as of the beginning of fiscal year 1984), there is $4,719,000 available under this appropriation account-$1,133,000 in newly appropriated funds and $3,586,000 in carryover. With 1984 obligations expected to total $2,618,000, we estimate that there will be $2,101,000 (all in carryover) available for fiscal year 1985.

Question: What do you expect that level to be at the end of FY 1985?

Answer: All of the remaining funds are expected to be obligated in 1985 such that the account's resources will be depleted by the end of that year.

Question: Could these remaining funds be used to maintain support for program activities, rather than turning these remaining funds over to the U.S. Treasury, as recommended in the justification?

Answer: If there do remain any further unobligated funds at the end of 1985, we are proposing that they be returned to the Treasury. We believe that any small, remaining amount of funds would not be cost-effective to administer and could be better used by another of the Federal Government's foreign currency accounts.

Question: Do you think that the Federal Government should continue supporting the Education and Research activities program even if excess currencies would no longer be available? Could these activities be funded through other Department of Education programs?

Answer: We believe that activities similar to some of the Education Activities Overseas (principally, scholar exchange and training programs) merit continued Federal support with U.S. dollars, as well as with foreign currencies--if available. We further believe, however, that these types of exchanges are more appropriately administered through the U.S. Information Agency's Fulbright-Hays programs--for which the Administration has requested a significant funding level for fiscal year 1985. In general, we believe that specific Federal-level needs relative to foreign languages and area and international studies are better left to those agencies with substantive interests (e.g., the Defense and State Departments and the U.S. Information Agency).

Rehabilitation Research projects supported under this account simply complement activities being conducted in this country by the National Institute of Handicapped Research (NIHR) (under the Rehabilitation Services and Handicapped Research account). Accordingly, similar--albeit domestic--rehabilitation projects can continue to be supported by NIHR with U.S. dollars.

Question: Could you provide us with some examples of the Education and Research Overseas program activities which your justifications state have been "designed to contribute to strengthening...the overall excellence of American education in foreign languages?

Answer: Under the Education Activities Overseas component of this account, the Group Projects Abroad program and fellowships under the Doctoral Dissertation Research Abroad and Faculty Research Abroad programs, in particular, contribute to American educational excellence in foreign language and area studies and in international education. The fellowship programs directly strengthen the academic preparation of practicing or preparing teachers, graduate students, and other scholars. The Group Projects Abroad program supports a variety of educational excellence projects such as foreign language and area studies training for secondary school and college teachers, curriculum development, and pedagogical research. Also, selected Language and Area Research projects support opportunities for educational institutions to develop and improve curricular materials.

Question: What types of rehabilitation research have been carried out under the Education and Research Overseas programs (as stated in the justification) that could not be carried out in the United States? How has this research benefitted handicapped persons in the U.S.?

Answer: Rehabilitation Research conducted overseas includes several elements which are not readily available in the conduct of such research in the United States. These elements include, for example, the availability of large case loads of disabled individuals with central control; referral and acceptance into the research program of these disabled individuals; the presence of low-cost technology; and an effective method of project evaluation.

Some exemplary examples of Rehabilitation Research projects started under this account include the following:

o The functional electric stimulation technique started in Ljubljana, Yugoslavia, was initially intended for ambulatory problems associated with stroke patients. This same technique is now being used in selected facilities in the United States and has been widely field-tested under controlled conditions. Functional electric stimulation is now being used in the United States and in other countries for other disabling conditions including persons with scoliosis, spinal cord injuries, and cerebral palsy. It is now being used to assist in ambulation and many other activities of daily living, as well as overall independence of severely disabled individuals.

  Further refinements in functional electric stimulation have produced a commercially available system to control and correct "stress" incontinence among older females. This system will allow many persons now confined to nursing homes to return to their families or reduce the attendant and nursing care required to control this impairment.

These researchers also have led the world's scientific community in the use of functional electric stimulation to provide paraplegic and some quadraplegic individuals with the ability to stand and walk with limited support.

- A program in Israel that demonstrated the use of group dynamics in rehabilitating severely retarded individuals has been replicated a number of times in the United States and has shown how to maximize the productivity of young men and women living outside of institutions for the mentally retarded, and to prepare them for competitive employment. One of the best examples of this Israeli program impacting in the United States is at the Melwood Training Institute in Prince Georges County, Maryland. Great accomplishment has been demonstrated at this training institute for young adults as they achieve various degrees of independence and self-worth.

- With the high incidence of blindness and visual disabilities in India and Pakistan, rehabilitation projects were established to demonstrate the effectiveness of low-visual aids programs and mobile eye clinics. In addition to addressing the increasing problems of great numbers of blind men, women, and children, it was important for early diagnosis, treatment, and referral, and to carry out the program with well-trained professional aides in order to demonstrate how effective and competent this disabled population could become. This type of modified community-based approach to blind and visually impaired persons has been most successful in India and has been replicated by the Helen Keller International organization in many countries including Mexico, the Philippines, and Indonesia. In the United States, the low-vision rehabilitation approach is being used in school and rehabilitation facilities more and more, and many new aides and specialists are being used including "mobility trainers," teacher aides, and "vision therapy helpers." This program is now being utilized for children, adults, and senior citizens--where this special need is greatest.

- The impact of cancer on the individual, family members, and society as a whole has had a devastating effect in all societies. The number of studies carried out in the United States and abroad on this subject has been very limited. The problem becomes even more challenging when we look at cancer-disabled persons in rural areas. With 80 percent of the population of India living in rural areas and with the extended family concept of being more directly involved with the health care and rehabilitation of their own family members, the unique aspects of research on this problem is being conducted there. It is realized that the "team" effect of having a non-disabled person training and working with the disabled member of the family has not been acceptable or feasible in the United States. In India, this approach has had some interesting results with a greater number of disabled being successfully rehabilitated. It is believed that this technique will be sucessfully replicated in the United States on a larger scale. The cerebral palsy project in Topeka, Kansas, is a most recent example of this approach with a "matching" of able-bodied and disabled persons working as a team at the workplace.

- The impact of the verbo-tonal method in the rehabilitation of hearing-impaired persons started in Yugoslavia is now being used, not only in this country, but in many other countries throughout the world. This method, using a tactile device for auditory training and improving communication for children with limited hearing residual, has been very well-received in many school systems in the United States, including Pittsburgh and Philadelphia, Pennsylvania, and Columbus, Ohio. The verbo-tonal method for rehabilitating people with communication problems is also being taught in university programs such as the Institute of Aural Rehabilitation at the University of Tennessee. The emphasis of this new program in both public schools and training institutions is to help hearing-impaired children and adults develop good oral communication skills which will allow them to freely interact with normal-hearing people, and to be integrated into regular classrooms as early as possible.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will now stand in recess until 9 a.m. tomorrow morning when we will convene in this room to hear testimony on the administration's fiscal year 1985 budget proposals for special institutions including Howard University, education research and statistics, bilingual education, and libraries.

Thank you very much.

[Whereupon, at 10:55 a.m., Tuesday, March 20, the subcommittee was recessed, to reconvene at 9 a.m., Wednesday, March 21.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 21, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senator Weicker.

DEPARTMENT OF EDUCATION

SPECIAL INSTITUTIONS

STATEMENTS OF:

DR. CARSON Y. NOLAN, PRESIDENT, AMERICAN PRINTING HOUSE FOR THE BLIND

DR. WILLIAM E. CASTLE, DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF AND VICE PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

DR. JERRY C. LEE, INTERIM PRESIDENT, GALLAUDET COLLEGE

DR. JAMES E. CHEEK, PRESIDENT, HOWARD UNIVERSITY

ACCOMPANIED BY:

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET, AND EVALUATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENTS

Senator WEICKER. The subcommittee will come to order.

Today we will first hear testimony on the administration's fiscal year 1985 budget proposals for the American Printing House for the Blind, the National Technical Institute for the Deaf, Gallaudet College, and Howard University.

I welcome all those that are representing the various institutions. Your complete statements will be put into the record in their entirety. I would appreciate each one of you synopsizing those statements for the committee so that we can get on to specific questions.

Why don't we proceed in the order I announced, first the American Printing House for the Blind. I will include in the record at this point a table summarizing appropriations for the special institutions for fiscal year 1983, 1984, and the administration's request for fiscal 1985.

Mr. SKELLY. That will be the order and Dr. Carson Nolan will be representing the Printing House.

[The information follow:]

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1983 appropriation	1984 President's estimate	1984 appropriation	1985 estimate
American Printing House for the Blind	5,000	5,500	5,000	5,000
National Technical Institute for the Deaf:				
Operations	26,300	28,000	28,000	30,000
Construction	.....	.....	.....	1,400
Subtotal	26,300	28,000	28,000	31,400
Gallaudet College:				
College programs	33,910	37,500	35,910	38,600
Model Secondary School for the Deaf (MSSD)	11,700	11,700	11,700	[1]4,972
Kendall Demonstration Elementary School (KDES)	6,390	6,390	6,390	[1]3,263
Subtotal	52,000	55,590	54,000	46,835
Howard University:				
Academic program	123,094	136,124	123,094	129,124
Endowment grant	.....	.....	.....	2,000
Research	.....	.....	.....	5,000
Hospital	22,106	22,106	22,106	22,106
Construction	.....	1,490	.....	.....
Subtotal	145,200	159,720	145,200	158,230
Total	228,500	248,810	232,200	241,465

[1]The 1985 estimate for Gallaudet College excludes $6,728,000 for MSSD and $3,127,000 for KDES which represent the amounts for direct educational costs. The 1985 request reflects enactment of proposed legislation which would require local school districts to defray the direct educational costs of children from their districts attending KDES and MSSD.

Statement of Carson Y. Nolan

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and educational aids for use in the education of blind children in special schools for the blind. In 1879, the Congress passed an Act, "To Promote the Education of the Blind" which, as amended, now enables the Printing House to provide educational materials for all blind students throughout the United States, its territories, and possessions through the secondary school level. The total request for 1985 is $5,000,000. It reflects proposed legislation to terminate the small trust fund established by the 1879 statute. The $10,000 in annual interest is such a small portion--less than one percent--of our total operating budget that it is not cost-effective to continue this complex method of financing our programs.

Educational Materials

For educational materials, the request of $4,660,000 represents no increase over fiscal year 1984. It will supply an estimated 39,500 blind students in elementary and secondary schools with educational materials. This number represents a net decrease of 1,651 people served compared to fiscal year 1984. There will be 2,249 more elementary and secondary school students, offset by terminating the eligibility of 3,900 blind adults enrolled in rehabilitation programs. Starting in fiscal year 1985, only students enrolled at the secondary school level and below will be eligible. The Department of Education believes that this change will conform program eligibility to the original intent of the Congress. As a consequence of this change, the per capita allotment will be $117.99 in fiscal year 1985, an increase of $4.73 over the allotment for fiscal year 1984 when the blind adults from rehabilitation programs were included.

Advisory Committees

The request of $90,000 for expenses for Advisory Committees is equivalent to the amount awarded in fiscal year 1984. This budget category covers the expenses of the two Advisory Committees which determine what books will be published and what new materials will be developed. More importantly, it covers the cost of informing teachers and administrators about what materials are available, how they may be obtained, and how they are to be used as well as the cost of the annual census of blind students conducted in January.

Educational and Technical Research

The request of $250,000 for educational and technical research is the same amount as that allocated in 1984. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, mathematics, science, and for special groups such as the multihandicapped blind.

The American Printing House continues to serve a growing and complex group of blind students with many different kinds of educational materials. As of January 1983, 29,077 legally blind students were registered through State departments of education, and 8,436

were enrolled in residential schools. Among these, 5,484 read braille, 12,450 read large type, and 18,580 used other media for learning. Of the total, 2,089 were deaf-blind.

New educational materials and teaching aids are developed and produced each year to keep educational programs for these students current. In addition, reprints and reruns of older materials are made as required. The American Printing House maintains a finished goods inventory of $3,500,000 to ensure a timely delivery of special materials to educational programs.

Recently, progress has been made in a number of areas which will increase the efficiency of service to blind students. Some of these were the following:

1. Administrative costs were reduced by five percent in fiscal year 1983.

2. New equipment, acquired for production of large type, will speed up deliveries and reduce expensive inventories.

3. Equipment was designed and fabricated that will improve the quality and reduce the cost of producing maps, charts, and diagrams included in braille books.

4. A new set of materials designed to improve visual functioning of young blind and multihandicapped-blind children is currently going into distribution.

5. A program to facilitate applications of microcomputers in education of the blind has been initiated.

We continue to make steady progress in meeting the educational needs of blind children. Recent progress is described in the 1982 Annual Report of the American Printing House, copies of which I am leaving for the Committee.

Mr. Chairman, I will be glad to answer any questions about this request for appropriation.

Biography of Carson Y. Nolan

POSITION : President
American Printing House for the Blind

BIRTHPLACE
AND DATE : Indianapolis, Indiana - October 21, 1925

EDUCATION : University of Kentucky - BS and MA, 1950
Washington University - PhD, 1953

EXPERIENCE :

PRESENT : President, American Printing House for the Blind
Louisville, Kentucky

1976-1979	:	Vice President and General Manager American Printing House for the Blind
1958-1976	:	Director, Department of Educational Research American Printing House for the Blind
1960-1972	:	Adjunct Associate Professor, Department of Psychology, University of Louisville
1956-1958	:	Research Scientist, Human Resources Research Office, Fort Knox, Kentucky
1953-1956	:	Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas
ASSOCIATION MEMBERSHIPS	:	American Association of Workers for the Blind Association of Education of the Visually Handicapped Council Exceptional Children
PUBLICATIONS:		Over 100 professional monographs, chapters, and articles

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Statement of William E. Castle

I am pleased to present the fiscal year 1985 request for the National Technical Institute for the Deaf on behalf of the Department of Education.

As you know, the National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. We are also involved in training professional staff to serve the Nation's deaf population and are conducting research into educational achievement, communications, personal/social instruction, economic and employment aspects of deafness. The 1985 appropriation request for the National Technical Institute for the Deaf is $31,400,000. This includes an increase of $2,000,000 for operations and will support academic programs in the areas of career development, research, training, and information dissemination. An additional amount of $1,400,000 is requested to cover the costs associated with rebricking three NTID dormitories.

The specifics of the fiscal year 1985 request follow:

OPERATIONS

The fiscal year 1985 request for operations is $30,000,000. This request represents an increase from fiscal year 1984 of $2,000,000, primarily to cover built-in cost increases. The rubella epidemic of 1963-1965 doubled the incidence of babies born deaf throughout the United States during that period. Those children are now 18 and 20 years old and are applying or attending postsecondary institutions in record numbers. This past year NTID received 1,027 applications and had a fall 1983 entering class of 594, which is 244 more than in a typical year. Projections for the fall of 1984 (fiscal year 1985) indicate that NTID will receive over 1200 applications and that the number qualified to enter will be 695 (expected demand). At the requested level of funding, NTID

will admit 465 new students, 115 more than would normally be admitted, keeping the total enrollment to the capacity (1,250) of our buildings. This is 230 less than the expected demand and those students will be placed on the waiting list. Given a waiting list of this size and sufficient resources now and in the future, all of the demand can be accommodated by fiscal year 1987.

Career Development

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since historically more than 95 percent of our graduates who seek employment have been placed in jobs within six months of their graduation. Over their life times, these same people are expected to pay back to the Federal Government in the form of taxes over 400 percent of the original investment in their education.

Research

NTID will continue to support applied research in the technical and general education of the deaf population, but at a reduced level until the "rubella bulge" subsides. Research is conducted in the areas of speech, audiology, manual communication, visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decision-making, educational support services, instructional technology, the characteristics of NTID's target population, and the accommodation of graduates in the workplace. NTID will also focus a major effort on reporting of NTID proven products, procedures, and systems which have broad-based impact to other organizations with deaf education responsibilities.

The primary focus of NTID's research efforts have not deviated from the direction set forth in the 1965 Department of Health, Education, and Welfare report on the education of the deaf. In that report, it was suggested that the

> "...unsatisfactory state of education of the deaf cannot be attributed to any lack of dedication of those who teach and work with the deaf. The basic explanation lies in our failure to launch an aggressive assault on some of the basic problems of language learning of the deaf through experience or well-planned and adequately supported research, and in our failure to develop more systematic and adequate programs for educating the deaf at all levels."

In the forseeable future, complete solutions to some of these age-old problems are perhaps beyond the scope of NTID's research efforts, but NTID has already received a number of benefits from its research efforts and as a result, students are leaving NTID

better prepared for their future. In addition, research findings which can provide assistance to professionals and educators working with the deaf will continue to be disseminated through workshops and publications.

Training

Continued emphasis will be placed on training programs for professionals, graduates, interns, counselors, job placement specialists, and interpreters. In 1982, NTID began an Associate Degree program for interpreters which has been expanded from 15 to 60 students per year. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to us for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Pre-service training for teachers of the deaf will continue in conjunction with the University of Rochester and in-service training will be provided through faculty exchanges, internships and fellowships.

Information Dissemination

NTID will improve deaf education nationally by sharing educational techniques and processes, research findings, and training techniques.

Among other products for dissemination, the award winning quarterly publication, Focus, is currently distributed to more than 17,000 professionals in deaf education, business, and government, providing them with a greater awareness and appreciation of the capabilities of our Nation's deaf citizens. Also our Product Catalogue, featuring NTID-produced research and teaching materials, has received an outstanding response.

CONSTRUCTION

The construction request of $1,400,000 is to reimburse the host institution, the Rochester Institute of Technology, for costs incurred to repair three NTID dormitories. Over the past several years the brickwork on all three dormitories has required extensive repair. Last year an independent architect was engaged to assess the extent of the problem and recommend a long term solution. The architect found that because of construction and design deficiencies, the brick facades of all three buildings had deteriorated and were unsafe to the point where their removal and replacement were required.

RIT subsequently pursued its claim under construction arbitration administered by the American Arbitration Association under the Construction Industry Rules as required by the Agreement for the Establishment and Operation of the National Technical Institute for the Deaf between the Secretary of Health, Education and Welfare and Rochester Institute of Technology. The defendants were the original architect and general contractor. The settlement of $1,350,000 fell $1,400,000 short of the amount necessary to cover the costs of rebricking, attorney's fees and interest expenses on borrowed funds.

SUMMARY

In summary, the 1985 request is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunities for the handicapped and to meet the challenge brought about by the rubella epidemic of the early 1960's. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap and become contributing members of society.

Mr. Chairman, I will be pleased to answer any questions you may have.

BIOGRAPHY OF WILLIAM E. CASTLE

POSITION	:	Vice President, Government Relations - Rochester Institute of Technology Director, National Technical Institute for the Deaf
BIRTHPLACE AND DATE	:	Thomas, South Dakota, September 5, 1929
EDUCATION	:	Northern State Teachers College, 1951, B.S. State University of Iowa, 1958, M.A. Stanford University, 1963, Ph.D.
EXPERIENCE	:	
1982-Present	:	Vice President, Government Relations - RIT, Director - NTID
1979-1982	:	Vice President - RIT, Director - NTID
1977-1979	:	Dean and Director, NTID
1969-1977	:	Dean, NTID
1968-1969	:	Assistant to the Vice President and Director of Division of Instructional Affairs, National Technical Institute for the Deaf
1965-1968	:	Assoc. Secretary for Research and Scientific Affairs, American Speech and Hearing Association
1963-1965	:	Assistant Professor, Speech Pathology and Audiology, University of Virginia
1961-1963	:	Instructor, English, Experimental Phonetics Lab, Stanford University
1961-1961	:	Instructor, Speech Correction, Central Washington State College
1958-1960	:	Instructor, Speech Correction, St. Cloud State College
1956-1956	:	Customers Broker, Frank P. Dow Company
1952-1956	:	Communications Specialist, United States Air Force
1951-1952	:	Secondary Teacher, English & Speech, Faulkton High School
ASSOCIATION MEMBERSHIPS	:	Academy of Rehabilitative Audiology Acoustical Society of America Alexander Graham Bell Association for the Deaf, Inc. (Life Membership, currently President) American Association for the Advancement of Science

American Association of Community and Junior Colleges
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council for Exceptional Children
Council of Education of the Deaf
Empire State Association of the Deaf
GeVa Theatre
International Association of Parents of the Deaf Inc.
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
Nathaniel Rochester Society
National Association of the Deaf
National Organization for Women
National Rehabilitation Association
New York State Association of Junior Colleges
New York State Speech & Hearing Association
Opera Theatre of Rochester
Registry of Interpreters for the Deaf
Rochester Museum and Science Center
Rochester Philharmonic
Smithsonian Institution
Telecommunications for the Deaf, Inc.
World Federation of the Deaf

PUBLICATIONS : "Effects of Selective Narrow-Band Filtering on the Perception of Normal Listeners of Harvard PB-50 Word Lists," Journal of Speech and Hearing Association of Virginia, Fall, 1963, 12-21, Castle, W. E.

"Uses of Technology to Improve the Communication Skills of the Deaf," Presented to the International Congress on Education of the Deaf in Tokyo, Japan, August, 1975, Castle, W. E., Johnson, D. D., and Subtelny, J. D.

"Communication Skills Improvement of Deaf Adults: New Hope for Families with Deaf Members" (with K. E. Crandall), Proceedings of the V World Congress on Deafness in Copenhagen, Denmark, August, 1977.

"NTID - Something New in the Education of the Hearing Impaired," Proceedings of the XI World Congress on Otorhinolaryngology, Buenos Aires, Argentina, March, 1977.

Statement of Jerry C. Lee

This year Gallaudet College will hold its 120th annual commencement ceremony. This historical mark is testimony to the shared commitment and dedication of many groups and individuals concerned with improving the quality of life for deaf persons. Towards this

goal, the College has enjoyed a long-standing partnership with the Federal Government. It has been a partnership that has recognized the vital and positive contributions that deaf people can make to the Nation. I am proud to testify to this Committee today on behalf of Gallaudet College as Dr. Edward Merrill so ably did for the past 14 years before he retired September 30, 1983. I am optimistic that this Committee will join with me in reflecting upon the long tradition and importance of an institution that I am honored to represent.

I present to this Committee the President's fiscal year 1985 budget request for Gallaudet College, including the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). The President's 1985 Budget request of $46,835,000 provides the College programs $38,600,000, an increase of $2,690,000 over 1984, MSSD $4,972,000, a decrease of $6,728,000 from 1984, and KDES $3,263,000, a decrease of $3,127,000 from 1984.

The College

The request is a reflection of continued support for the increased enrollment resulting from the unprecedented and tragic 1963-65 rubella epidemic and, also, several new priorities. For College programs, this request provides $4,713,000 for built-in and program increases, and offsetting decreases of $2,023,000 in existing programs. The College will apportion $2,471,000 for faculty and staff compensation and benefits increases, $805,000 for increasing telephone and utilities expenses, and $1,437,000 for maintenance and support services at the Northwest Campus. To offset these increases, public service programs will be reduced by $874,000. Another $1,149,000 will be reduced from the budget by postponing several major renovation projects, by terminating service-related contracts, by redirecting the College's technical services unit and by placing the College Press operation on a self-supporting basis.

The request of $38,600,000 for the College in fiscal year 1985 will provide full support to the rubella-inflated enrollment level. As you may know, many of the rubella-affected students are beginning their Gallaudet career in the School of Preparatory Studies, which the College has established at its Northwest Campus. The Northwest Campus is completing its first year of operation in which nearly 300 students are passing through the preparatory program. The College expects an enrollment increase of 300 additional undergraduates during the 1985 fiscal year. Increased funding will be directed, in large part, toward improving the level of services provided to the Northwest Campus and to serving these new students. In this regard, the College will establish effective academic and student support services in the areas of computer assisted instruction, tutorial services, and counseling activities. The College expects to accommodate the increased enrollment through an array of inter-campus services.

Because of the extraordinary need represented by the rubella-affected students, Federal funding priority has been given to residential undergraduate instruction. As a result, reductions in Federal funding of $874,000 are proposed for the college's public services programs. Other funding sources are being sought to replace the Federal funds. The programs affected are continuing

education activities in the Washington, D.C. area, three extension education centers in California, Kansas, and Massachusetts, and the National Center for Law and the Deaf. These services are not directly related to the basic postsecondary undergraduate education of students at Gallaudet.

Model Secondary School for the Deaf
and Kendall Demonstration Elementary School

Both of these schools presently receive 100 percent of their funding for programs and facilities from the Federal Government. In fiscal year 1985, the request reflects continued support at current levels, adjusted for inflation, for Federal research, development and demonstration activities at the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES); direct educational expenses would be paid by the school districts sending students. This would put all school districts across the Nation on the same footing with regard to financing the education of their deaf students. The 1985 requests for MSSD of $4,972,000 and for KDES of $3,263,000 represent a strong continuing Federal role in research and development at both schools.

Legislation has been proposed to require Gallaudet to charge local school districts for the direct educational expenses of children from those jurisdictions attending MSSD and KDES.

Mr. Chairman, I thank the committee for this opportunity today and welcome your questions.

Biography of Jerry C. Lee

POSITION	:	Interim President, Gallaudet College
BIRTHPLACE AND DATE	:	Bluefield, Virginia, November 21, 1941
EDUCATION	:	Virginia Polytechnic Institute & State University, 1977, Ed.D Virginia Polytechnic Institute & State Uninversity, 1975, M.A. West Virginia Wesleyan College, 1963, B.A.
SUPPLEMENTARY EDUCATION	:	University of Baltimore, School of Law, 1967-1969 West Virginia University, Graduate School of Industrial Relations, 1963-1964
EXPERIENCE	:	
PRESENT	:	Interim President, Gallaudet College
1982-1984	:	Vice President for Administration and Business, Gallaudet College
1978-1982	:	Assistant Vice President for Business Affairs, Gallaudet College
1971-1977	:	Director of General Services (Business/Administration), Gallaudet College

1965-1971 : Vice President for Administration, Commercial Credit Industrial Corporation

MILITARY : U. S. Army Reserve, 1966-1972

ASSOCIATION MEMBERSHIPS: American Management Association, American Association of School Administrators, National Association of College and University Business Officers, College and University Personnel Association, Association of School Business Officials, National Association of Public Employer Negotiators and Administrators, American Association of University Professors, Bureau of National Affairs 1983-1984 Personnel Policies Forum

PUBLICATIONS: "Collective Bargaining and Its Fiscal Implications in Higher Educaton", Proceedings of the Sixty-Ninth Annual Meeting of the Association of Physical Plant Administrators of Universities and Colleges. June 1982

"Saying No at the Bargaining Table: An Art with Many Possible Variations", ANCA Reports, Association of Negotiators and Contract Administrators. June 1982

"Financial Information Essential for Bargaining: Know the Cost of Each Benefit and Its Alternatives", ANCA Reports, Association of Negotiators and Contract Administrators. July 1982

"Decertification: A Process Whose Time Has Come?", APPA Newsletter, Vol. XXX, No. 10, Association of Physical Plant Administrators of Universities and Colleges. October 1982

"The Art of Saying No", NAEN Bulletin, National Association of Educational Negotiators. December 1982

"Hard Line Bargaining: The Acceptable Alternative to Approaches Condemned by Labor Boards, Inside Negotiations, Labor Relations Planning. December 1982

"NLRB Precedent May Affect Discipline Procedures and Related Grievance Cases", Inside Negotiations, Vol. III, No. 3, Labor Relations Planning. January 1983

"Impasse Rulings May Provide Guidelines for Negotiators' Bargaining Decisions", ANCA Reports, Association of Negotiators and Contract Administrators February 1983

"Planning and Labor Negotiations", NAEN Bulletin, National Association of Educational Negotiators. March 1983

"Hard Line Bargaining", The School Administrator, American Association of School Administrators. March 1983

"Grievance Process--Employee Representation", Business Officer, National Association of College and University Business Officers. March 1983

"Grievances--Handle With Care, A progressive program yields threefold benefits: time, money, morale," American School and University, Vol. 55, No. 9. May 1983

"Employment at Will", College Services Administration, Journal of the National Association of College Auxiliary Services. October 1983

"Techniques for Handling Charges of Discrimination," College Services Administration, Journal of the National Association of College Auxiliary Services. January 1984.

Statement of James Edward Cheek

On behalf of the Howard University community, it is my pleasure to present the 1985 President's budget request. The request for fiscal year 1985 is composed of four components: the academic program, a new endowment grant, a new research component, and the Howard University Hospital. The total request for 1985 is $158,230,000, representing an increase of $13,030,000 or 9 percent over the 1984 appropriation.

Academic Program

For fiscal year 1985, $129,124,000 is requested for the academic program, representing an inflation adjustment of $6,030,000 or 4.9 percent over the 1984 appropriation. This increase is composed of four items; $2,420,000 for faculty salary increases averaging five percent; $2,310,000 for non-faculty salary increases averaging three percent; $300,000 for non-faculty promotions and $1,000,000 as partial support for the continuation of the University retirement program.

Endowment Grant

The endowment grant represents a first-time request and includes a request of $2,000,000. In order to receive these funds, the University must raise additional endowment funds from non-Federal sources on a dollar for dollar matching basis. In addition, the principal of these funds cannot be spent, but the University can spend up to fifty percent of the income derived from the investment of the funds for operating purposes. The use of the endowment approach is an important step toward ending the University's dependence on Federal funding in future years.

Research

This request also includes $5,000,000 for research. These funds will be used in an effort to broaden research capabilities at Howard. Accreditation agencies have stated on several occasions that Howard is lacking significantly in its research activities. While we continue to seek and acquire research support from various agencies of the Federal Government and private funding sources, we simply have not been able to establish the research capacity needed in an institution the size and complexity of Howard University to compete successfully for funds. Approval of this request will provide the seed funds to enable us to make significant process in the elimination of this deficiency.

Howard University Hospital

The 1985 request does not include increased funding for Howard University Hospital. The increased cost for operation of the hospital will continue to be funded through patient revenue derived from fee increases and continued improvement in collection procedures.

Mr. Chairman, I am prepared to answer questions that you or members of the Committee may have. I would also like to express to the Committee our appreciation for your continued support.

Biography of James Edward Cheek

POSITION	:	President, Howard University
BIRTHPLACE AND DATE	:	Roanoke Rapids, North Carolina - December 4, 1932
NAME AND HOMETOWN OF WIFE	:	Celestine Juanita Williams; Newton Grove, North Carolina
CHILDREN	:	James Edward, Jr. Janet Elizabeth
EDUCATION	:	Public Elementary Schools, Greensboro, North Carolina James B. Dudley High School, Greensboro, North Carolina Immanuel Lutheran College, Greensboro, North Carolina Shaw University, Raleigh, North Carolina, B.A., 1955 Colgate-Rochester Divinity School, Rochester, New York, Master of Divinity, 1958 Drew University, Madison, New Jersey, Ph.D., 1962
EXPERIENCE	:	
PRESENT	:	President, Howard University
1963-1969	:	President, Shaw University, Raleigh, North Carolina
1961-1963	:	Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia

1960(Summer): Visiting Instructor in Christian History, Upsala College, East Orange, New Jersey
1959-1961 : Instructor in Western History, Union Junior College, Cranford, New Jersey
1959-1960 : Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey
MILITARY : U.S. Air Force

ASSOCIATION MEMBERSHIPS :
-Board of Directors, Continental African Chamber of Commerce U.S.A.
-Board of Directors, First American Bank, N.A.
-Board of Directors, Joint Center of Political Studies
-Board of Directors, National Association for Equal Opportunity in Higher Education
-Board of Directors, National Capital Area Council, Inc., #82 Boy Scouts of America
-Board of Directors, National Permanent Federal Savings and Loan Association
-Board of Directors, People United to Save Humanity
-Board of Directors, Public Broadcasting Service
-Board of Directors, United Nations Association, Capital Area Division, Board and Advisory Committee
-Board of Directors, The James S. Brady Presidential Foundation
-Board of Trustees, Choral Arts Society of Washington, Honorary
-Board of Trustees, Consortium of Universities of the Washington Metropolitan Area
-Board of Trustees, Federal City Council
-Board of Trustees, Institute of International Education, Honorary
-Board of Trustees, New York Institute of Technology
-Board of Trustees, United Way of the National Capital Area
-Board of Trustees, Washington Center for Metropolitan Studies
-Board of Advisors, AAAS - Smithsonian Institution
-Board of Advisors, American Arts Association, State Advisor in the District of Columbia
-Board of Advisors, Association for the Integration of Management, Inc., Advisory Council
-Board of Advisors, Close Up
-Board of Advisors, Colgate-Rochester Divinity School, Advisory Board
-Board of Advisors, GWETA, Community Advisory Council
-Board of Advisors, Institute for the Study of Educational Policy
-Board of Advisors, InterFuture, International Advisory Council
-Board of Advisors, International Telephone and Telegraph Corporation, College Scholarship Program
-Board of Advisors, Minorities in Engineering, National Advisory Council
-Board of Advisors, National Archives Advisory Council
-Board of Advisors, The National Black Monitor
-Board of Advisors, National Coordinating Council on Drug Abuse, Education and Information, Inc.

-Board of Advisors, National Council for Black Studies, National Advisory Committee
-Board of Advisors, National Urban League and Booker T. Washington Foundation TV Career Awareness Advisory Review Board
-Board of Advisors, School Review, National Advisory Board
-Board of Advisors, Speak Out!
-Board of Advisors, Washington Urban League
-Board of Advisors, Who's Who in America
-Board of Editors, Black Forum, Inc.
-Board of Editors, The Journal of Religious Thought, Honorary Chairman
-Member, American Association of University Women, Task Force for Women's Equity
-Member, American Council on Education, National Panelist
-Member, American Foundation for Negro Affairs
-Member, American Management Association, Inc.
-Member, Center for the Study of the Presidency, Board of Educators
-Member, College Entrance Examination Board, Committee on International Education
-Member, Institute of International Education, National Council
-Member, Mid-Eastern Athletic Conference, Executive Committee
-Member, Minority Legislative Education Program, Committee of Sponsors
-Member, Mordecai Wyatt Johnson Memorial Fund
-Member, National Committee for Full Employment
-Member, Philosophical Society of Washington
-Member, Task Force on International Affairs, D. C. Government
-Member, The Conference Board
-Member, United States National Commission for the United Nations Educational Scientific and Cultural Organization (UNESCO)
-Member, Van Cle World Association, Scientific Committee
-Member, Virgin Islands Department of Health, Fundraising Steering Committee, Honorary
-Member, Voice of Informed Community Expression (VOICE)
-Member, Washington, D.C. Cornaro Tercentenary Committee, Honorary
-Special Consultant to the President of the United States on Black Colleges and Universities
-President's Commission on Campus Unrest (The Scranton Commission)
-Board of Foreign Scholarships
-Alpha Theta Nu Theological Fraternity
-Alpha Phi Alpha Fraternity
-Sigma Pi Sigma, Physics Honor Society
-Alpha Kappa Delta, Sociology Honor Society
-Phi Delta Kappa, Education Honor Society
-American Academy of Religion
-American Association of University Professors
-American Society of Church History
-National Association of Biblical Instructors

-National Society of Literature and the Arts
-Religious Research Association
-Society for Biblical Literature and Exegesis

HONORS AND RECOGNITIONS:

Doctor of Humanities, Shaw University, 1970
Doctor of Humane Letters, Trinity College, 1970
Doctor of Laws, North Carolina Agricultural and Technical State University, 1971
Doctor of Laws, Drew University, 1971
Docteur Honoris Causa, l'Universite d'Etat d'Haiti, 1972
Doctor of Education, Providence College, 1972
Doctor of Laws, Deleware State College, 1972
Doctor of Humanities, University of Maryland, 1975
Doctor of Divinity, Bucknell University, 1975
Doctor of Laws, New York Institute of Technology, 1980
Doctor of Laws, University of North Carolina, 1981
Doctor of Humane Letters, Duke University, 1982
Colgate-Rochester Graduate Fellow, 1958
Lilly Foundation Fellow, 1958 and 1959
Rockefeller Doctoral Fellow, 1960
Recipient of The Presidential Medal of Freedom, February 23, 1983

BIOGRAPHICAL LISTINGS :

Who's Who in America (Marquis Edition)
The International Who's Who
Who's Who Among Black Americans
Who's Who in American Education
Who's Who in Government
Who's Who in the South and Southwest
1968 Edition of Outstanding Young Men in America
1973 Edition of Men Of Achievement
1974 Edition of Leaders In Education

AMERICAN PRINTING HOUSE FOR THE BLIND

PRINTING HOUSE BUDGET REQUEST

Dr. NOLAN. Mr. Chairman, our request this year is for $5 million, which is no increase over fiscal year 1984. This request will be utilized primarily to supply educational materials to legally blind students; $4,660,000 for this purpose, no change over fiscal year 1984.

This will supply materials to 39,500 students. This number is down 1,651 over that reported for fiscal year 1984. This decrease has been achieved by eliminating eligibility of blind adults enrolled in programs of less than college level. The per capita allotment for fiscal year 1985 is $117.99, up $4.73 from fiscal year 1984.

Ninety thousand dollars, no change from fiscal year 1984, will be used for our advisory committees. This money is applied to the expenses of our two advisory committees; to the cost of the annual census, required to determine the number of legally blind children eligible in this country; and to the cost of information services to consumers.

These services tell consumers what we have, how the materials are to be used, and how they can be obtained.

Two hundred fifty thousand dollars, no change over fiscal year 1984, will be applied to educational and technical research. These funds are used primarily to develop needed educational materials.

That's our summary, Mr. Chairman.

Senator WEICKER. I'm going to ask individual questions as we go through this panel because you are all really addressing different subjects.

Your 1985 budget request includes a policy change to terminate the eligibility of some 3,900 adults in rehabilitation programs who are now receiving materials produced by the Printing House. You state that such adults have access to other resources.

So perhaps you can now identify for me what those resources are and how much money would be saved by your proposal.

Dr. NOLAN. It's felt that there are rehabilitation funds available in the Federal budget to purchase materials for these people. We have served them since 1906.

No savings in funds will be accomplished by the elimination of this group. It simply will accord slightly more dollars to each student up through the 12th grade.

Senator WEICKER. All of you that are standing out there in the hall, why don't you come in here. There's plenty of room to sit down at this end of the room here. There's no reason why anybody has to stand.

What do you mean, "it's felt that"? That's a rather nebulous statement; "it's felt that" there are funds. What are we talking about? Where are the funds?

Dr. NOLAN. I cannot, in detail, tell you, Mr. Chairman. This has been expressed to me by the Office of Management and Budget.

Mr. SKELLY. Mr. Chairman, the main source of the funds would be the rehabilitation service State grants which flow to State governments

to support the rehabilitation of adults. Those are the primary funds that the policy is based on.

We don't have a specific number.

Senator WEICKER. You're proposing decreases in the following areas: The number of people who are provided materials by the Printing House compared to 1984; the number of State education departments visited; the residential programs visited; elimination of visits to local education agencies; decrease in visits to teacher training programs; the number of workshops held; the number of catalogs distributed; the number of research projects; the number of materials developed; the number of project leaders; the number of research staff people; and a decrease the total number of employees by 16.

Dr. NOLAN. Yes, sir.

Senator WEICKER. This is something that you feel, in other words, is entirely appropriate to the demand. Is that right?

Dr. NOLAN. Mr. Chairman, it's completely undesirable. It reflects our adaptation to the constant level of funding and increasing costs. The same amount of money will not provide the same amount of activity.

The demand is still there. The needs are still there.

Senator WEICKER. Can you give me an estimate of how much would be required in 1985 to maintain the level of services provided last year?

Dr. NOLAN. I would say a half million more dollars.

Senator WEICKER. Thank you very much.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

BUDGET REQUEST

All right. We'll move next to Dr. William Castle, Director, National Technical Institute for the Deaf. Is that right? Is that our order?

Mr. SKELLY. Yes, sir.

Dr. CASTLE. The fiscal year 1985 submission with respect to the National Technical Institute for the Deaf is a total of $31,400,000. $1,400,000 is for a special construction problem that we had faced regarding our dormitories because all of the bricks had to be removed and replaced.

The $2 million for operations includes built-in increases, primarily. The only exception to that is $37,900 for our grant-in-aid program, and that increase is put in because of the large number of students who are coming to NTID because of the rubella bulge.

This year we are serving 1,260 students. We expect our number to be at least at that level in the coming year as well. We also anticipate, because of the influx of applications, that we will have a waiting list in the fall of 1984 of something close to 230.

WAITING LIST

Senator WEICKER. It's my understanding that the National Technical Institute of the Deaf will have to turn away some 230 students qualifying for entry in academic year 1984–85 because OMB imposed a ceiling on the maximum number of students who could be admitted.

I'd like your comments on that action. Can you tell me how much, in additional fiscal year 1985 funds, would be required to accept all qualified applicants?

Dr. CASTLE. Mr. Chairman, a ceiling has not been imposed by the Office of Management and Budget. The imposition in terms of restriction is the facilities that we have available.

We do not have sufficient academic or housing facilities to accommodate those other 230 individuals.

PERSONNEL INCREASES

Senator WEICKER. All right. That answers that question.

Of the $2 million increase that you're requesting for operations for fiscal year 1985 it is noted that about $1.5 million of that is proposed for a salary increase of 7 percent as well as a fringe benefit increase of 1 percent of salary.

Using the inflation rate of 4 percent, what factors were considered which would warrant a 7-percent salary increase and an additional fringe benefit increase?

Dr. CASTLE. By the contractual arrangement between the Rochester Institute of Technology—RIT—and the Department of Education, we are required to follow the policy for the host institution, Rochester Institute of Technology.

They have set an average increment of salary at the level that is posed in the question that you just asked. Therefore, this is an imposition on us by virtue of the larger institute.

Senator WEICKER. Thank you very much.

GALLAUDET COLLEGE

BUDGET REQUEST

Our next witness will be Jerry Lee, the interim President of Gallaudet College. Dr. Lee?

Dr. LEE. Mr. Chairman, I am pleased to present a summary of the fiscal year 1985 budget request for Gallaudet College including the Model Secondary School for the Deaf—MSSD—and the Kendall Demonstration Elementary School—KDES.

The President's budget requests a total of $46,835,000 providing $38,600,000 for the college, $4,972,000 for MSSD, and $3,263,000 for KDES. At the college, a net increase of $2,690,000 is requested; $4,713,000 will be applied toward built-in and program activities.

These increases are offset by $2,023,000 in decreases to existing programs including the National Center for Law and the Deaf, continuing education, and three extension centers.

MSSD and KDES currently receive 100-percent Federal support to provide model demonstration programs in the education of the deaf. The fiscal year 1985 request proposes reducing Federal support by $6,728,000 at MSSD and $3,127,000 at KDES.

The remaining Federal support, which will be approximately $8.2 million, would fund research, development and demonstration programs. The budget proposes that educational expenses would be transferred to the States and local educational agencies at the rate of approximately $16,000 per child.

Mr. Chairman, this completes my summary. Thank you.

PROPOSAL FOR KDES AND MSSD

Senator WEICKER. Your request for Gallaudet programs is about $10 million less than last year, primarily because you have decided this year that the education of about 625 children now enrolled in the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School is no longer a Federal responsibility.

You, therefore, propose to charge tuition of about $15,500 per family for each student enrolled at these schools. Your justification states that "this change in financing is not expected to have any impact on program levels at these schools because local districts or parents are assumed to contribute the extra costs of approximately $15,500 per student."

On what basis did you assume that parents could afford these costs or local school districts would contribute the necessary tuition?

Dr. LEE. That proposal to charge tuition was not made by Gallaudet College. In fact, our data shows that the proposal is questionable. We contacted 101 LEA's and 82 responded. Of this group, 75 percent said they would not pay to send their children to Kendall School; 21 percent found it questionable; and only 4 of the 82 LEA's said they would pay the tuition.

We think it would have an adverse effect on those programs.

Mr. SKELLY. Mr. Chairman, the assumption was based in part on the costs that are paid by States for residential State supported schools for the deaf already. There are about two dozen schools, State supported institutions for the deaf, around the country that provide at least $15,000 per year per student.

It's an assumption that the budget is based on, but it didn't reflect a survey of local school districts and what they would pay to send the students to Model or Kendall.

Senator WEICKER. So the assumption is wrong based on this survey.

Mr. SKELLY. Well, it could be wrong. That's true. These school districts are currently not paying anything for the cost of sending students to Model and Kendall.

Faced with the choice of paying or not paying, if it were based just on finances, it could be assumed that they wouldn't want to pay the additional cost.

NEW LEGISLATION PROPOSAL

Senator WEICKER. Is this going to require any authorizing changes?

Mr. SKELLY. Yes, sir. Legislation would be required to effect this program change.

Senator WEICKER. Where would that legislation have to go?

Mr. SKELLY. It would have to go to your subcommittee in the Senate and to the House as well.

Senator WEICKER. Well, that's another assumption you can now get rid of also. There isn't going to be any authorizing change.

Mr. SKELLY. The budget was based on the assumption the legislation would be proposed.

Senator WEICKER. Nobody ever talked to me about it as the chairman of the committee that would hear it.

Mr. SKELLY. The legislation has not been submitted yet at this time.

BUDGET REQUIREMENTS

Senator WEICKER. It is even better that it's not before us. Well, let's assume that Congress flatly rejects this proposal, and I think that is probably a very accurate assumption.

What budget authority would you require for 1985 to maintain the current level of enrollment and quality of the programs?

Dr. LEE. At least $56,690,000, Mr. Chairman.

Senator WEICKER. $56,690,000?

Dr. LEE. $56,690,000. That is for Gallaudet College, MSSD, and KDES.

Mr. SKELLY. The President's budget assumes that an increase is necessary at the college level. Even if you straightlined Model and Kendall from the 1984 appropriation, there would still be an increase in other Gallaudet funds.

Senator WEICKER. Your justification explains that "more than 15,000 babies were born deaf during the 1964–65 rubella epidemic." In fiscal year 1985, because the babies have now reached college age, you expect total enrollments will be 50-percent higher than the college's preepidemic bulge levels. You expect 300 more undergraduates to enroll in September.

Am I giving the correct statistical case here so far?

Dr. LEE. Yes, sir.

Senator WEICKER. In light of these facts, your budget proposal is most interesting. In order to help deal with increasing numbers of students due to the rubella bulge, you proposed increases of $1.9 million for a 4.5-percent salary increase; $1.2 million for a 14.7-percent increase in fringe benefits; and $1.5 million to pay for utilities and campus maintenance costs and two additional teachers.

I don't understand how that is going to go ahead and help the college cope with a huge influx of rubella-related students.

Dr. LEE. We have a three-part strategy. First, the request includes direct funds for the increased enrollment at the northwest campus, which is the home of our preparatory students and at the main campus; it includes $534,000 to extend student support services there and an additional $188,000 for such areas as computer-assisted instruction. Second, we plan to increase the faculty workload instead of increasing the base with additional people. Third, we are deferring expenses in nonrubella areas such as the graduate program.

Through these three measures, we believe we can accommodate the additional 300 students that we expect in the fall of 1984.

Mr. SKELLY. One of the major costs, of course, is the facilities; and Gallaudet, unlike NTID, does have facilities available. They had those facilities available several years ago; the Marjorie Webster campus in northwest Washington was transferred at no cost to Gallaudet College.

So they had some room to expand whereas NTID, which is also faced with coping with the rubella epidemic, did not get sufficient funding from Congress in 1982 so that they could cope with the increase from rubella on a facilities basis.

Senator WEICKER. Unless there are an awful lot of teachers sitting around doing nothing, I don't understand how you get 300 more students, add two more teachers, and then do the job. I don't understand that unless for some reason or other there's a very light workload up there right now.

Dr. LEE. It is not a light workload. However, our financial situation requires that we increase the student/faculty ratio to 9 to 1. That would probably be our number. We would do this through more sections rather than large classes.

Senator WEICKER. What is the ratio you have, on the average, been operating with?

Dr. LEE. The average ratio has been 7.5 to 1.

Senator WEICKER. And you'd go to 9 to 1?

Dr. LEE. Yes, approximately.

Senator WEICKER. Now, when you say average 1 to 7.5, what was it a decade ago?

Dr. LEE. That's before my time, Senator; but I think it has been fairly stable.

Senator WEICKER. All right. We'll now move to Howard University and Dr. James Cheek.

HOWARD UNIVERSITY

BUDGET REQUEST

Dr. CHEEK. Thank you, Mr. Chairman.

The total request for Howard University for fiscal year 1985 is $158,230,000 representing an increase of $13,030,000 or 9 percent over the preceding year.

The request that we have before you is comprised of four items for faculty salary increases averaging 5 percent; $2.3 million for nonfaculty salary increases averaging 3 percent; $300,000 for nonfaculty promotions; and $1 million as partial support for the continuation of the retirement program.

We also have a request which represents a new item in our budget for an endowment grant of $2 million, which in order for the university to receive, we would have to raise matching funds on a dollar-per-dollar basis.

We also have a new item in the category of research, which is $5 mil-

lion, which is intended to broaden the research capability at Howard. Many of the accrediting agencies have stated, on several occasions, that one of the major deficiencies at our institution is in the area of research.

We are not requesting any increases for the Howard University Hospital.

THE HOWARD INN

Senator WEICKER. Last year, we briefly discussed Howard University's entrance into the hotel business. The hotel was described as "an integral part of the educational program" and was "considered critical to the overall educational mission."

GAO's recent review showed that two faculty members were hired in 1982 for the hotel management program. The report showed that for the 1982–83 school year two students were enrolled in the hotel management program.

As of February 1984, no students have been trained at the hotel.

In addition, the GAO reported the deficit at the hotel went from $1.9 million in 1982 to $4.5 million in 1983. The inn's operating loss went from $1.5 million in 1982 to $2 million in 1983.

Now, my question is: Why should you, why should the taxpayers, why should anybody absorb these kinds of losses?

Dr. CHEEK. Mr. Chairman, in 1970 it was decided, when the school of business was created, to include in the curriculum a program in hotel/motel management. This was needed then, and is needed now, because few minorities are employed in this industry in managerial positions. We did not institute the program at the time the school was started because we had to develop other departments in the school.

When the hotel was constructed in 1970 by the Department of Commerce, it was suggested to us that in the event the hotel needed or required new ownership, that Howard give consideration to utilizing that hotel as a training facility. The losses that you have cited represent the way in which accounting is done for educational institutions as opposed to accounting for commercial enterprises.

It is expected that over a period of time—and our projection is approximately 5 years—that the hotel will be self-supporting. Many of the costs that are reflected in the figures cited by GAO represent the total cost that was put on the books in 1 year rather than spread out over the period of the loan, as well as the total costs for renovations in 1 year.

Now, there are some losses that are associated with the operations because of the low occupancy rate. There will be approximately 30 to 40 students trained at the hotel initially in intern programs.

Senator WEICKER. Well, according to what I have before me, as of February of this year no students have been trained at the hotel.

Dr. CHEEK. The program is new and students will not be entering into the internship program until later in their curriculum.

Senator WEICKER. Well, I'm going to tell you exactly what my feeling is on this subject. I have a great deal of respect for Howard University and I want to do everything I can to help.

Maybe I won't have the votes on this Appropriations Committee, but I can assure you I don't intend to appropriate one nickel to this operation.

FUNDING OF THE HOWARD INN

Dr. CHEEK. Mr. Chairman, at the present time, no Federal funds——

Senator WEICKER. Well, then we'll just take it out somewhere else. I don't want to play games on this.

There are no Federal funds? You're saying no Federal funds, period?

Dr. CHEEK. No.

Senator WEICKER. There's not much point sitting here in front of me and talking about no Federal funds.

You know, I don't care which pocket it's coming out of.

Dr. CHEEK. The GAO report indicated that no Federal funds were used to acquire it and no Federal funds are used in the operation of the hotel.

Senator WEICKER. Well, where is this loss? Who is paying for this loss?

Dr. CHEEK. The losses are offset by revenues generated from other sources within the university.

Senator WEICKER. Then what if all of a sudden we eliminate all the Federal funding for Howard University, then where does it come from?

Dr. Cheek, I'm not impressed by that argument. Indirectly—indirectly—the taxpayers and Federal funds are very much involved. If you didn't have the support of the Federal Government, I guarantee you'd unload this. I'm talking about in your other endeavors.

Now, what I'm indicating to you is I'm just not willing to get into a venture such as this. I wasn't around here when you got into it. I would have voted against it then and I would vote against it now.

Never mind the dollars and the accounting systems. Where are the bodies?

Now, in this thing in the 1982–83 school year nothing went out. In 1984, nothing. I don't understand this. I really don't.

Dr. CHEEK. There will be students training in the hotel in school year 1984–85.

ENDOWMENT FUND

Senator WEICKER. Well, I wouldn't count on it if I were them, not as far as the appropriation is concerned.

You're proposing two new appropriations for Howard University; $2 million to establish an endowment, and $5 million to establish a research fund. Is this a one-time request only or do you foresee requests for additional funds for the endowment in future years?

Dr. CHEEK. It is not a one-time request. It is anticipated that there will be requests in future years on the same basis; that is, requiring us

to raise the equivalent amount of money from non-Federal sources in order to receive the Federal endowment funds.

ALUMNI CONTRIBUTIONS

Senator WEICKER. Anybody that's standing there, please feel free to sit down at that end of the table.

How much have you received in terms of alumni donations to your endowment fund?

Dr. CHEEK. We have received $1.2 million from alumni, in fiscal year 1983. I cannot indicate what percentage of that has been attributed to the endowment program; but if this program is approved it will become one of the major programs for the alumni.

RESEARCH FUND

Senator WEICKER. What is the $5 million for a research fund?

Dr. CHEEK. You probably noted in the GAO report the references to the accreditation committees' comments concerning the deficiencies or inadequacies in research activity. Howard University receives about 5 percent of its total budget in research through the process of applying for grants in Federal agencies, whereas the national average is 57 percent.

It is the intent here to establish a foundation for carrying on research in order to improve the research capability of our faculty, particularly the younger faculty.

LAW SCHOOL LIBRARY

Senator WEICKER. In a recently completed GAO review of the university, several significant and fairly disturbing findings came to light. Among them, for instance, were those concerning the law library.

As you know, compared with other law school libraries, according to the American Association of Law Libraries, Howard's law school library ranks last with 166 reporting institutions in the percent of its budget spent on library materials; but Howard ranks third of 166 in the percent of its law library budget spent on salaries and wages.

Now, what do you intend to do about this?

Dr. CHEEK. With respect to the number of volumes added, the university has been involved in a development program for all of its libraries over a period of some 14 years. The law school library has been standing still in terms of acquisitions due primarily, Mr. Chairman, to the requests or absence of requests made for funds

We have recently increased the budget for acquisitions after an inspection by the AALS by approximately $400,000. With respect to the number of personnel, it is the contention of the law school library that the number of personnel employed there is, in fact, required to service the needs of the students as well as the needs of the faculty.

Our law school library has not yet become computerized as has been the case in most law school libraries across the country.

LIBRARY DIRECTOR POSITION

Senator WEICKER. How long has the position of library director been open?

Dr. CHEEK. The position of law librarian is filled.

Senator WEICKER. When was it filled?

Dr. CHEEK. It was filled 2 years ago.

Senator WEICKER. The GAO report indicates that you had not started seeking applicants for the library director's position which has been vacant since June of last year. Is that correct?

Dr. CHEEK. No, not for the law school, that is the university library.

Senator WEICKER. All right.

Dr. CHEEK. We are currently reviewing applications and expect to have a permanent librarian by July 1.

Senator WEICKER. It's been vacant since June of last year?

Dr. CHEEK. Yes.

FACULTY AND NONFACULTY SALARY INCREASES

Senator WEICKER. Your justification for requesting large salary increases is "to maintain a qualified faculty." GAO's comparison of faculty salaries shows that "they were generally comparable to the median salaries reported by other universities."

However, GAO reported that "Our comparison of Howard executives' salaries with the median salaries for similar positions at universities with a similar-sized student body or budget, as reported by the College and University Personnel Association, showed that Howard's salaries were generally higher, particularly with regard to its top executives, that is, president, vice president, general counsel, et cetera.

"Howard's salaries for these executives were 8 to 167 percent higher than the median salaries reported by other universities for similar executives."

Now, I took a look at that GAO report and I think if I had to give a synopsis of the issue that is before us now it is that faculty salaries don't seem to be out of line and executive salaries seem to be out of line. Why shouldn't your newly established plan that you refer to here, in essence, forego across-the-board increases for a system of providing pay increases on merit for the faculty which wouldn't extend to the administrators?

Dr. CHEEK. Mr. Chairman, it is almost impossible to have across-the-board salary increases for faculty because we have 17 separate schools and colleges and they range all the way from a college of liberal arts to a college of medicine. Each of the schools and colleges develops its own salary criteria based upon merit performance of the faculty, faculty rank, and the number of people who are being considered for promotion to a higher rank.

In many instances, with respect to nonteaching personnel, we are governed by union contracts which require an across-the-board increase; and it is almost impossible to treat nonunionized personnel differently from the way in which the unionized personnel are treated.

EXECUTIVE SALARIES

Senator WEICKER. Well, how about the other part of my suggestion that we freeze the executives' salaries?

Dr. CHEEK. Mr. Chairman, the administration of the university does not really have jurisdiction over executives' salaries. There's an executive compensation committee of the board of trustees which does that and they may very well do what you have suggested.

Senator WEICKER. Any Member of Congress sit on that board?

Dr. CHEEK. No.

Senator WEICKER. Well, you can tell the board of trustees I certainly appreciate their being generous with the taxpayers' money; but under these circumstances described by GAO they should, I think, at least have consultation with the Congress. It's a large amount of Federal money involved.

Dr. CHEEK. Mr. Chairman, you did read our comments with respect to the College and University Personnel Association data? If we had a better data base from CUPA, such as we have from the AAUP, I do not think you would get the kind of comparison that you have in the GAO report.

The CUPA data on executive salaries, when we talk about the median, in every single one of those positions, range from $10,000 a year to $145,000. It also includes in its report a position for vice president for health affairs that is in excess of the health science centers that exist in the United States.

So we don't know what CUPA means when it defines positions. It simply uses titles and the titles are not comparable. That is one of the reasons why we do not participate in the survey; it is of no value.

This is not criticism of GAO. It's a criticism of the methodology used by the College and University Personnel Association. It also mixes 2-year colleges and complex universities, public and private.

SUPPLEMENTAL REQUEST

Senator WEICKER. We've heard that the university intends to request a supplemental for fiscal year 1984. Is that true?

Dr. CHEEK. Yes, Mr. Chairman.

Senator WEICKER. And for what purpose will the funds be used?

Dr. CHEEK. They will be used for salary increases for faculty and nonfaculty, the retirement program, and for the enhancement of the university library system, the graduate school and the college of medicine.

APPRAISAL REPORT ON THE HOWARD INN

Senator WEICKER. I would suggest and the committee would appreciate a report from you, or your obtaining such a report, as to exactly what you could expect to get in the commercial market for the sale of the hotel.

I would like to have that material before the committee.

Dr. CHEEK. You mean——

Senator WEICKER. We are talking about a $4.5 million loss in 1983. I would suspect that somewhere throughout our deliberations that amount of money would be taken away from the appropriations requested by Howard University.

So I suggest this is something you ought to address yourself to immediately. I would like to know, and I think you're the best person to find out, what Howard University could expect to get from the sale of that facility.

Dr. CHEEK. All right.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. The record will be left open for other questions to be submitted for response for the record and I thank you all very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

AMERICAN PRINTING HOUSE FOR THE BLIND

INCREASES IN STUDENT POPULATION

Question: Do you believe that the aging of the rubella bulge population will result in any significant decrease in the demand for educational materials for elementary and secondary school students from the Printing House?

Answer: We do not believe the rubella bulge contributed significantly to our population of students.

Question: If so, how would this affect your operations?

Answer: We believe we will experience a continuing steady growth of about 1700 students per year. Demand for materials should increase accordingly.

REDUCTION OF ADMINISTRATIVE COSTS

Question: Please explain the efforts you employed to accomplish a five percent reduction in the administrative costs for the Printing House between 1984 and anticipated for 1985?

Answer: We reduced our administrative costs primarily by reducing administrative personnel to a bare minimum. We did this through elimination of jobs, combination of jobs, and through application of automation.

COST OF MAINTAINING SAME LEVEL OF SERVICE

Question: You are proposing to decrease the number of people who are provided materials by the Printing House compared to 1984; and

-- to decrease the number of State education departments visited;

-- to decrease the residential programs visited;

-- to eliminate visits to local education agencies;

-- to decrease visits to teacher training programs;

-- to decrease the number of workshops held;

-- to decrease the number of catalogs distributed;

-- to decrease the number of research projects;

-- to decrease the number of materials developed;

-- to reduce the number of project leaders;

-- to decrease the number of research staff people; and

-- to decrease the total number of employees by 16.

Can you give me an estimate of how much would be required in 1985 to maintain the level of services provided last year?

Answer: An increase of $500,000 would be required. Of this increase, $390,000 would be for educational materials, $60,000 for informational services under Educational Committees and $50,000 would be for Educational and Technical Research.

TERMINATION OF ADULT ELIGIBILITY

Question: Your 1985 budget request includes a policy change to terminate the eligibility of some 3,900 adults in rehabilitation programs who are now receiving materials produced by the Printing House. You state that such adults have access to other resources. What are these resources?

Answer: These resources are the block funds for rehabilitation awarded to the States.

Question: How much money would be saved by your proposal?

Answer: Since the total request for fiscal year 1985 is the same, no money would be saved by this proposal. However, this proposal provides an additional $418,821 for educational materials for the elementary and secondary students.

DETERMINATION OF NUMBERS OF ELIGIBLE STUDENTS

Question: You state that you plan to serve an additional 2,250 elementary and secondary school students. How was this number determined?

Answer: This number is an estimate based on the previous ten-year history of increases plus additional information concerning potential additional students gained through contacts with individual programs for education of the blind.

Question: How can you be certain at any given time that you are serving the "universe" of eligible students?

Answer: We know that we never serve the "universe" of eligible students. For example, deaf-blind students registered at Gallaudet College are supported by that appropriation. We estimate that this program serves 98 percent of eligible students in this country.

Question: What method do you use to identify the numbers of blind students who might require services?

Answer: We use our annual census to identify students who are eligible each year. Each head of a residential program or each State school officer provides us with a list of eligible students enrolled. Eligibility must be supported by a report of an eye examination conducted by an appropriate professional.

FUNDING FROM OTHER SOURCES

Question: What percent of funding do you expect to come from Federal contracts during 1985?

Answer: We expect funding from Federal contracts to amount to about 30 percent of total funding in fiscal year 1985.

Question: What services are provided?

Answer: The funds support publications for adults in both braille and recorded form.

Question: What Federal agencies or programs provide these contracts?

Answer: The contracts are with the Library of Congress and the Internal Revenue Service.

Question: What portion of your funding comes from non-Federal sources?

Answer: Twenty-five percent of our funding comes from non-Federal sources.

Question: What are these sources?

Answer: These include cash sales of materials to States, communities, other organizations, and individuals; and contribu-

tions from the public which support the publication of the special editions of Reader's Digest and Newsweek.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

EFFORTS TO AUGMENT FEDERAL SUPPORT

Question: Most higher education institutions have been actively seeking alternative sources of income in order to keep student costs down while maintaining the quality of education. What does NTID do to pursue private sector and alumni support to supplement federal funding and student fees?

Answer: NTID does not solicit private funding because the Rochester Institute of Technology (RIT), the host institution of NTID, is a private university very much in the business of soliciting private funds. Any attempt on NTID's part to solicit would be deemed as detracting from the potential of the greater institution and would likely be in violation of the Agreement for the Establishment of The National Technical Institute for the Deaf between The Department of Health, Education and Welfare and the Rochester Institute of Technology. Clearly, the original intent was for RIT to operate, but not subsidize NTID.

Question: How much money has NTID raised through private sector and alumni support?

Answer: We have received several equipment donations and approximately $70,000 in cash since we have been in operation. All have been unsolicited.

Question: How much money does NTID project raising from these sources in the future?

Answer: Since we do not solicit funds, we are not planning on any.

TUITION/FINANCIAL AID

Question: What are students required to pay to attend the Institute, and what financial assistance is available to them?

Answer: Student charges for fiscal years 1983, 1984, and 1985 are as follows:

	1983	1984	1985
Tuition	$ 984	$1,334	$1,683
Room	849	1,140	1,140
Board	1,449	1,578	1,626
Fees	213	228	273
Books	307	350	350
Transportation	400	450	500
Personal Expenses	505	525	550
Total Expected Student Cost	4,707	5,605	6,122

Students have access to a variety of sources of financial aid. In fiscal year 1983, some 667 students received support from voca-

tional rehabilitation which accounted for $1.15 million. In addition, 168 students received Pell grants which accounted for approximately $202,000. State grants amounting to $87,000 were received by 163 students and State loans of $351,000 were received by 165. One hundred and twenty-nine (129) students received $140,000 in grant-in-aid from NTID. Finally, 95 students were recipients of other aid amounting to $60,000. The sources of this aid are private scholarship and NTID Alumni Scholarships. The average financial aid award per student is approximtely $2,100. The average award is up by $100 from fiscal year 1982.

Question: What portion of your students receive federal student aid?

Answer: Approximately 17 percent of NTID students received Pell grants and 67 percent received aid from vocational rehabilitation in fiscal year 1983.

TRAINING AND INFORMATION DISSEMINATION

Question: What portion of the 1985 budget is devoted to training and information dissemination activities?

Answer: Approximately 5 percent of NTID's 1985 budget will be devoted to these activities.

Question: What types of training are currently being offered to employers of the deaf?

Answer: The National Center on Employment of the Deaf continued training external publics who work with hearing-impaired people. The areas emphasized were: "Getting Your Job Done," for personnel and management professionals; "Working Together: The Manager and the Hearing-Impaired Employee," for direct supervisors; and "Working Together: The Trainer and the Hearing-Impaired Employee," for trainers.

Ongoing programs	Number of Participants
Getting Your Job Done	274
Working Together: The Manager and the Hearing-Impaired Employee	152
Working Together: The Trainer and the Hearing-Impaired Employee	64

Many training programs are tailored to meet employer's specific needs. Two hundred and ninety five (295) people were trained in "Job Accommodation Workshop," "Hiring of the Handicapped," "Career Development of Handicapped," and "Practices in Placing Handicapped People."

Question: Who pays for this training?

Answer: The costs for tailored training programs are reimbursed by the corporations that request them.

Training programs that are open to the business community, in general, cost $150 per participant. Training programs for super-

visors and employers of NTID graduates are offered as a service at no cost to the corporation, and this cost is borne by NTID.

ENROLLMENT INCREASE DUE TO RUBELLA

Question: In fiscal 1984, NTID received an additional $1.7 million to cover the cost of educating the surge in students resulting from the 1963-65 rubella epidemic. By how much has NTID's enrollment risen in the last four years?

Answer: NTID's enrollment over the last four years has risen as follows.

	1981	1982	1983	1984	Percent Change from 1981
Enrollment	939	964	993	1,260	134.2%

NTID'S RELATIONSHIP WITH ITS HOST, RIT

Question: It is my understanding that NTID is considered to be another college of the Rochester Institute of Technology (RIT). What percentage of NTID students directly enters an RIT major?

Answer: The average for the last five years is five percent.

Question: What percentage of NTID students ultimately transfers to RIT after completing their associate degrees?

Answer: Approximately 7 percent of our deaf students began their studies in the college of NTID, received an associate degree and then received a bachelor degree from one of the RIT colleges.

It is important to note, however, that students may cross-register at any point that they are deemed ready to do so. Therefore, at any one time there are between 15 and 20 percent of NTID students majoring in the other colleges of RIT. In our 16 years of history, 16 percent of the NTID graduates have received baccalaureate degrees and 1 percent have received masters degrees.

A factor that mitigates against a higher percentage is the fact that the college of NTID offers some majors for which there is not a similar discipline offered in the other colleges of RIT. Thus, graduates of these majors do not have a natural avenue to upper division studies.

The following majors are good sources of jobs for NTID graduates, but have no direct counterpart in the other colleges of RIT:

Major	Percent of College of NTID Enrollment
Optical Finishing	3.0%
Medical Records	2.0
Office Practice	7.0
Architectural Drafting	0.3
Architectural Technology	2.0
Industrial Drafting	3.0
Manufacturing Processes	3.0
Media Production Technology	0.5
	20.8

Question: What factors influence these percentages? For instance: What is the length of time required for the average NTID student to complete his associate degree?

Answer: The most complex factor is the deaf student's lack of basic skills. These lower language and mathematical skills (average student at the 8th grade level upon entry) make it necessary for about 95 percent of all NTID students to take some level of remediation in mathematics and/or language. The need for this remediation, coupled with the amount of time necessary to complete the normal requirements of the technical curriculum, makes the average time to finish an associate degree about 3.7 academic years (11.1 quarters).

Question: What role does counseling play in an NTID student's decision to transfer to RIT?

Answer: Another factor affecting transferability is the fact that students may not be able to perform in upper division courses which are required for the BS and MS degree. In such cases, the student is counseled to seek employment rather than transfer into upper division work. Generally, this is related to the basic skill level of the deaf student.

Question: It is my understanding that RIT has recently begun to tighten its admission standards. Will those changes make it more difficult for NTID students to either directly enter an RIT major or transfer into RIT after completing their associate degree?

Answer: It is true that RIT is raising its standards. However, as of this date, there has been no effect on the proportion of deaf students cross-registered in RIT programs. We are anticipating some future problems, however; and we are taking actions to minimize the effects.

Question: What steps is NTID taking to facilitate admission for NTID students who want to attend RIT?

Answer: NTID is taking the following action to facilitate admission for NTID students into RIT programs.

-- Admissions is seeking more qualified deaf students who would be directly admitted to RIT.

-- NTID has initiated pre-baccalaureate programs that permit qualified deaf students to take some major courses from the colleges of RIT while working on basic skills development through the remedial programs offered by NTID.

-- Majors in Applied Art, Data Processing, and Engineering Technologies have adjusted their curricula so that upon completion of an associate degree in the college of NTID the student will be immediately transferable to upper division studies at RIT.

RESEARCH

Question: You explain that while NTID will continue to support applied research in the technical and general education of the deaf population, this support will be at a reduced level until the "rubella bulge" subsides. What portion of your budget is devoted to research?

Answer: The dollar amounts and percentages of NTID expenditures on research for fiscal years 1983, 1984 and 1985 are as follows.

	1983	1984	1985
Expenditure	$950,900	$785,300	$844,600
Percent of Total Budget	3.2%	2.4%	2.4%

Question: What constitutes a "reduced level," and how much would be required to maintain the level of research at current services?

Answer: During fiscal year 1984 and continuing until the rubella bulge subsides, researchers focusing on communications assessment and training and those focusing on education and cognition have been spending 25 percent of their time teaching in the classroom while reducing their research expectations concommitantly. It would require approximately $300,000 more to take them out of the classroom and return them to their research expectations.

ALTERNATIVE PLACEMENT OPPORTUNITIES

Question: What alternative postsecondary placement is available for deaf students who are not accepted by the Institute?

Answer: There is Gallaudet College and approximately 100 postsecondary programs for the deaf in the United States, mostly in community colleges. Most of these programs do not have the capacity for accommodating larger numbers of deaf students than they are teaching now.

Question: Have there been any particular efforts made by institutions other than yours and Gallaudet College to absorb the rubella-bulge students?

Answer: A number of these institutions have been aware of the rubella-bulge but we are not aware of any particular efforts to absorb these students. However, we do inform applicants who we have to put on our waiting list of alternative programs and advise them to consider other programs which would promote their development before they eventually come to NTID.

GALLAUDET COLLEGE

COMMUTER STUDENTS

Question: How many commuting students does Gallaudet actually have?

Answer: Traditionally, 25 percent of the College's student population commute. In fiscal year 1984, 535 or 31 percent of the

students live off campus. The percentage increase is a reflection of increased enrollment due to the rubella bulge.

ENROLLMENT LEVELS

Question: What percentage of students admitted to Gallaudet actually enroll?

Answer: The following table summarizes, for fiscal year 1984, the percent of students accepted by Gallaudet and the percent of those accepted who actually enrolled:

	Applied	Percent of Students Accepted	Percent of Students Accepted that Enrolled
College	1,652	54% (893)	59% (526)
MSSD	204	69% (140)	94% (132)
KDES	29	97% (28)	89% (25)

Question: What reasons do accepted students give for choosing not to attend Gallaudet?

Answer: The most often cited reason for not attending Gallaudet is the selection of a program closer to the applicant's home. This is usual for most colleges and universities, as students generally tend to matriculate within regional boundaries. However, many of these students transfer to Gallaudet later in their educational careers.

A factor in the selection process is the level of hearing loss and the need for a total communication environment. Those with mild hearing losses have a wider array of traditional programs available to them because residual hearing is sufficient or amplification devices are utilized to accommodate a voice communication environment. Those with profound hearing losses are more likely to choose Gallaudet because the learning process is not hindered by a restrictive communication environment.

Question: How have Gallaudet College's enrollments been affected by the rubella epidemic of the mid-1960's?

Answer: During the mid-1960's, an estimated 15,000 infants were born deaf as a result of maternal rubella. Consequently, while most colleges and universities are facing a period of decreased enrollment, Gallaudet is experiencing the largest enrollment classes in its 120 year history.

In the fall of 1983, the first major influx of rubella-deafened students began to enter Gallaudet. Enrollment increased by 11 percent and by fiscal year 1985, the institution's total enrollment will be approximately 50 percent greater than pre-epidemic years.

Question: How long is the "rubella bulge" expected to affect admissions?

Answer: The vast majority of rubella-deafened students will be entering post-secondary programs in the 1983-1985 years. However, recent studies have indicated that these students, many of whom have multihandicaps, have not progressed as rapidly as originally

anticipated. As a result, the bulge is expected to extend into the second half of the decade.

Many of Gallaudet's students must begin their studies at the preparatory school before entering the traditional four-year program. Therefore, students entering in the mid 1980's will be in the program through 1989.

Question: Have you had to, or do you expect to have to, turn away any qualified students from admission to Gallaudet because of the increased demands resulting from the rubella bulge?

Answer: Gallaudet has not had to turn away students and we do not expect that it will. That is because in 1982 the Congress transferred to Gallaudet the 8.7 acre campus formerly known as the Marjorie Webster Junior College from the Federal Emergency Management Agency. This campus was renovated and became the site of the School for Preparatory Studies. Last fall, the school opened its doors and now houses 300 preparatory students.

As a result of this new facility, and expectations regarding the qualified applicant pool, Gallaudet anticipates that applications of all qualified students will be accepted, and waiting lists will not be imposed. As the only liberal arts college exclusively for the deaf, Gallaudet has a commitment to serve the increased demands of the rubella bulge. The College feels confident that it can make the necessary adjustments to accommodate this increased enrollment.

Question: How many were denied admission?

Answer: In fiscal year 1984, 759 applicants (46% of the total applicant pool) were denied admission into Gallaudet.

Question: How many of those denied admission were qualified?

Answer: None of the denied applicants were qualified for admission into College programs.

POST-SECONDARY OPTIONS FOR DEAF STUDENTS

Question: What other post-secondary options are there for these deaf students?

Answer: There is a range of post-secondary options. There are now nearly 100 two-year programs for the deaf, mostly in technical fields of study, available at institutions throughout the nation. Many deaf students avail themselves of these programs and later transfer into Gallaudet.

Gallaudet's outreach programs through its public services unit offer additional opportunities for deaf persons not admitted into a residential undergraduate program. Often, students use these programs to sharpen their educational skills and later qualify for admission into Gallaudet.

STUDENTS RECEIVING FEDERAL ASSISTANCE

Question: How many students receive Federal financial assistance to help meet these costs, and what kinds of student assistance are they receiving?

Answer: Approximately 85 percent of Gallaudet's students receive some kind of financial assistance. However, most students receive more than one type of aid and consequently some students may be counted more than once. Of the students receiving financial aid, 27 percent receive assistance from Federal programs, 34 percent receive assistance from the States and 24 percent receive grants and scholarships from the College. The majority of students receiving Federal assistance receive Pell grants (19 percent) followed by guaranteed student loans (4 percent), national direct student loans (2 percent), college work study (1 percent) and supplemental educational opportunity grants (1 percent).

TUITION RATE

Question: The average Federal share per student at Gallaudet is approximately $18,000. In addition, Gallaudet charged approximately $3,900 for tuition, room and board for fiscal year 1984, a 20 percent increase over fiscal year 1983. If the inflation rate for educational costs was approximately 8 percent in fiscal year 1983, why did your charges rise by 20 percent?

Answer: Two objectives are reflected in Gallaudet's tuition rate increases over the past few years. First, tuition serves as a major source of non-Federal income; Gallaudet expects almost $2.5 million from its students in fiscal year 1985. The intent of the College is to reduce its reliance on Federal funds, and tuition income helps to serve this purpose.

Second, Gallaudet, in conjunction with the National Technical Institute for the Deaf (NTID), has been raising its tuition rate to reflect the tuition charges at most land grant institutions. While the tuition rate is going up, it still offers deaf students -- who often are unable to attend their local land grant institution -- the opportunity to pursue education at a land grant rate. Prior to this action, the College's tuition rate was modest; it was well below the average and did not contribute significantly to the cost of instruction. With the recent increases, the tuition rate is approaching a more appropriate share of educational costs. Further, both schools have entered into a mutual agreement to charge the same rate in order to facilitate the matriculation choice of prospective students.

Question: How much are students required to pay to attend Gallaudet?

Answer: Total student charges for fiscal year 1985 will be $4,650, an increase of 10 percent over fiscal year 1984. Of the total charges, $1,684 is for tuition and the remaining amount covers room, board and fees.

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COST PER STUDENT

Question: What are the approximate current instructional costs per student at Gallaudet College?

Answer: Gallaudet, as other colleges and universities, derives its instructional cost per student by allocating direct and indirect support costs by function; that is, instruction, public service, research and auxiliary services. Total instructional costs are then divided by the total enrollment to derive the per capita cost.

The current cost is roughly $13,000 per student.

Question: How do these compare to costs of other colleges generally?

Answer: The cost per college student at Gallaudet is generally higher than other colleges. This is true not only at Gallaudet, but also throughout elementary and secondary programs for the deaf. In fact, deaf education is generally much more costly than that for most other handicapping conditions, and certainly more expensive than the cost incurred at traditional institutions. The higher cost reflects the specialized needs of deaf students. These programs generally require a smaller class size; therefore, more teachers are required to handle a comparable level of enrollment. Also, there is a higher level of support services, such as counseling and tutorial services, because the communication barrier often erects learning barriers. Finally, greater facility and equipment costs are attendant to the education of the deaf than would otherwise be required in different educational settings. Examples are, audiological and instructional support equipment such as the computer and video-technical devices which have been found to be most effective in the education of deaf persons.

PROGRAM COST

Question: What do you think will be the long-term effect of this temporary increase in admissions on the College's program costs?

Answer: To keep the base budget at an appropriate level during the rubella bulge, Gallaudet has used a three-part strategy:

1. Shifting the responsibilities of existing faculty and staff.

2. Deferring expenses in non-rubella programs.

3. Extending existing services rather than creating separate but equivalent services.

The first strategy of shifting responsibilities pays off in a reduced base payroll budget. For example, existing faculty take on an increased instructional workload during the rubella-affected period and defer responsibilities in the areas of scholarly research, public services and institutional services. The College, therefore, directs increased funding toward salary increases for existing personnel rather than adding more expensive personnel to the payroll for a temporary situation.

The second strategy, deferring non-rubella expenses in other programs, is most pronounced in the elementary and secondary programs. These programs have had no increases to their base for several years, yet through reallocation, still offer quality instruction and the effective development of educational methodologies.

Last, rather than establish two registration functions, two admissions functions and so on for the two campuses, Gallaudet has extended the existing services to the extent necessary to accommodate the increased enrollment. As the rubella enrollment falls away, these resources can be redirected at those groups which have been unserved or poorly served during the rubella-affected-years and can support the rubella-affected population as it moves towards post-baccalaureate pursuits.

Thus, the long-term effect on program costs has been minimized to the greatest extent possible while still providing effective service to the increased level of enrollment.

Question: What specific types of programs and services are uniquely offered by Gallaudet that significantly increase program costs?

Answer: Specific programs and services are as follows:

1. Counseling Services - deaf students traditionally require a higher level of educational and social/emotional guidance; thus, Gallaudet has a broader range of trained professionals and services than are found in traditional institutions.

2. Tutorial Services - instructional support goes beyond the classroom for many deaf students, particularly in math and english areas where deaf individuals have a more difficult time embracing mathematical concepts and grammar rules.

3. Special Services for Multihandicapped Students - many deaf students have additional handicapping conditions. Rubella-deafened students often have vision problems as well. Gallaudet offers a variety of support services such as notetakers, interpreters, helpers, computer-generated Braille, physical support and related assistance. Additionally, the campus has emphasized a barrier-free environment in its buildings and on its grounds. Over 10 percent of Gallaudet's student population is multihandicapped.

4. Communications/Orientation Programs for Students and Faculty - a major part of fully experiencing and participating in the educational process is the ability to communicate and understand instruction. Gallaudet has several programs designed to orient both faculty and students to the most facilitating environment for effective education through total communication training.

5. Instructional Support Equipment - because of the communication problems, students rely on a variety of technological aids to assist the instructional process. Computer-assisted instruction is uniquely suited and applied

to the education of deaf persons, and the College has teamed up Federal and private support to enhance education through this mechanism. Also, a significant array of audiological and video-technical equipment used throughout the campus helps to facilitate learning.

6. Placement Services - upcoming deaf graduates depend upon the College to offer opportunities where they can meet with, and often intern with organizations and firms. The Experiential Programs Off Campus unit provides a highly successful opportunity to match deaf students with private employers. Supporting this process is a substantial group of activities aimed at sensitizing the employment community to the capabilities of deaf persons.

These examples indicate a part of the increased level of services required of Gallaudet in serving its student population.

TEMPORARY DEFERRAL OF EXPENSES

Question: What types of expenses at Gallaudet College are being temporarily deferred to offset increased funding required because of the post-secondary educational needs of rubella epidemic population?

Answer: The College has chiefly delayed increases in its elementary and secondary programs as well as in the area of general institutional support. The demonstration programs have gone without increases to the base for several years, and this has allowed the College to focus on its rubella-inflated enrollment. These programs now face a possible change to the structure of instruction if the base continues at its present level beyond fiscal year 1985.

The College is also delaying many of its required renovation projects. Several of Gallaudet's facilities date back to the late 1800's and are in extreme need of repair and renovation. Those renovation projects which are directed at correcting health or safety hazards will be pursued, but other projects will be postponed until after the rubella bulge is served.

Further, the College is eliminating several service contracts. For example, the College will implement its own facility and equipment preventive maintenance system, a budget savings of $160,000 per year. Also, the College will redefine several of its income-producing units to live within their level of income. An example of this is the College Press, where publications are sold to deaf educators, parents and interested individuals.

DECREASES IN PUBLIC SERVICE PROGRAMS

Question: You have proposed to achieve decreases by eliminating the National Center for Law and the Deaf, the Continuing Education programs, and the Gallaudet Extension Centers at Johnson County Community College in Kansas, Northern Essex Community College in Massachusetts, and Ohlone College in California. Apparently, the Office of Management and Budget (OMB) has directed that no Federal funding may be used for these activities and that is the first time Gallaudet has received such a directive on how they could spend appropriated funds. To my knowledge, these centers were doing a

fine job of serving large regions and reaching a large population of hearing-impaired people. What has happened in the recent past which would warrant their being eliminated?

Answer: It is useful to distinguish between Gallaudet's role, as defined by the College, and those portions of it which are given priority by the Federal Government. Gallaudet's basic mission is to improve the quality of life for deaf people. This mission is accomplished through instructional programs, research and public service activities. The National Center for Law and the Deaf, the Extension Centers, and the Continuing Education programs are all within the scope of this mission. For the duration of the rubella-related enrollment bulge, the Federal priority is to emphasize basic residential undergraduate instruction; thus, support for Public Services programs has been significantly reduced. However, Gallaudet's priorities have not changed with respect to its public service commitments.

These programs have continually met the needs of a wide constituency. For example, in fiscal year 1983, 41,914 individuals and 6,229 families were served through Extension Centers and Continuing Education activities. The participants, representing 40 States, received a total of 11,472 instructional hours of training, seminars and services. Gallaudet anticipates increased demand for these programs in fiscal year 1985 as young deaf adults, who were born during the 1963-65 rubella epidemic, begin to enroll in continuing education programs.

PRIVATE SECTOR AND ALUMNI SUPPORT

Question: In its 1982-83 Annual Report, Gallaudet noted a new effort to secure private sector support from local business leaders and an alumni fund drive. How actively is such support being pursued at Gallaudet?

Answer: In 1980, Gallaudet began expanding its Office of Development. The local business campaign and the alumni fund drive mentioned in the 1982-83 Annual Report are just two of the private funding programs initiated. Other nationwide efforts which are being actively pursued include:

- o solicitation of grants from foundations and corporations
- o a direct mail campaign that attracts 2,000 to 3,000 new donors a year
- o a planned giving program
- o efforts to attract funds from service organizations
- o foundation established by the Board of Trustees in January, 1984

Question: For instance, does Gallaudet use professional fundraising firms?

Answer: Gallaudet currently engages the service of one professional fundraising firm. This firm manages the College direct mail campaign and is paid from donation revenue on a fee basis. This is a cost-effective approach that is paying off with promising results.

Question: How much money has Gallaudet raised through private sector support and from alumni?

Answer: In fiscal year 1983 Gallaudet raised $38,988 from alumni and $1,673,599 from friends, corporations, foundations and organizations.

Question: How much does Gallaudet project raising from these sources in the future?

Answer: Since new programs are now in place and solid bases of support have been established, Gallaudet expects donations to increase by 15 to 25 percent annually for the next three to five years.

HOWARD UNIVERSITY

EXECUTIVE PAY

Question: Your justification for requesting large salary increases is "to maintain a qualified faculty." But GAO's comparison of faculty salaries show that "they were generally comparable to the median of the salaries reported by other universities..."

However, GAO reported that "our comparison of Howard Executives' salaries with the median salaries for similar positions at universities with a similar-sized student body or budget, as reported by the College and University Personnel Association, showed that Howard's salaries were generally higher, particularly with regard to its top executives, ie., president, vice presidents, and general counsel. Howard's salaries for these executives were 8 to 167 percent higher than the median salaries reported by other other universities for similar executives."

Do you believe we help retain good faculty by paying executives 167 percent more than the median at other universities?

Answer: The 167 percent reported by GAO is incorrect. The Executive level position to which GAO makes reference is that of Vice President for Administration and Secretary of the University. The College and University Personnel Association (CUPA) Salary Survey does not list a position with the title "Vice President for Administration" nor does it list a position with comparable duties and responsibilities. The closest title to Howard's Vice President for Administration is "Chief Personnel/Human Resources Officer".

The Vice President for Administration carries in his portfolio the following duties and responsibilities:

1. Secretary to the Board of Trustees
2. Secretary of the University
3. Office of Personnel Administration
4. Office of Safety and Security Services
5. Office of Labor Relations
6. WHUR-FM (Radio Station)
7. WHMM-TV (Television Station)
8. Office of Theatrical Productions (in connection with WHMM-TV)

It should also be noted that the "median" in the CUPA survey lists a position with salaries ranging from less than $10,000 per annum to the highest of $145,999.

We do not consider the CUPA data to be a reliable data base for reasons we have stated and which are contained in the GAO Report.

Question: Why doesn't your newly established plan to forego across-the-board increases in favor of providing pay increases based on merit for the faculty not extend to the administrators?

Answer: The policy of providing pay increases for faculty based on merit and performance is a longstanding one. The new plan (policy) adopted by the Board of Trustees to provide pay increases based on merit does not extend to the administrative staff in general. Pay increases for the University's executive level administrators are determined by a special Executive Compensation Committee of the Board of Trustees. This Committee uses merit as a consideration and establishes its own policy.

RETIREMENT FUND

Question: How much money was paid into the retirement system in 1982, 1983, and planned for 1984, both Federal and non-Federal?

The University made the following payments in its retirement fund in 1982 and 1983 as indicated. For 1984, we are providing our estimates since the fiscal year has not yet ended:

	1982	1983	1984*
University	$ 8,220,345	$ 7,897,486	$ 8,750,000
Federal	3,850,000	5,750,000	5,750,000
Total	$ 12,070,345	$ 13,647,486	$ 14,500,000

*=Estimated

TUITION

Question: What is the current tuition for a full-time resident student at Howard University?

Answer: The current tuition for a full-time resident student at Howard University in our schools and colleges other than medicine, dentistry and law is $2,400.00. Effective with the Fall semester of 1984, the tuition for a full-time resident student at Howard University has been increased to $2,700.00.

Question: What are the comparable charges for a student enrolled in medicine, dentistry and law?

Answer: The current tuition for full-time students enrolled in medicine, dentistry and law are as follows:

College of Medicine	$ 3,700
College of Dentistry	$ 3,100
School of Law	$ 2,900

Tuition for these colleges beginning with the Fall semester of 1984 will be:

College of Medicine	$ 4,500
College of Dentistry	$ 3,700
School of Law	$ 3,400

Question: To what extent does tuition offset the total cost of educating your students?

Answer: Tuition offsets the average total cost per student (excluding medicine and dentistry) by 34 percent. The University has increased tuition almost every year in an effort to meet more of the educational costs. However, few, if any educational institutions recover full educational costs from its students through tuition and fees.

AVERAGE STUDENT COST

Question: How much does it cost Howard University to educate one student for one academic year, including operations and management of the physical plants, research, recruitment, as well as the salaries and expenses of the staff?

Answer: The average cost to educate one student at Howard University for one academic year is approximately $7,000. This cost does not include specialized professional schools such as the Colleges of Medicine and Dentistry.

RESEARCH FUND

Question: What portion of this research money would go for fellowships, thus freeing up additional funds for salaries?

Answer: Research money would not free up additional funds for salaries.

We have requested 58 research fellowships at $25,000 each. These funds are for research support and will underwrite research of select existing faculty members. It may provide release time in order that a professor might pursue research studies but a replacement will be required for the period the investigator is on release time, or a professor may not seek release time, requiring instead critical technical and/or professional support to conduct his or her research.

Twelve post-doctoral fellowships have also been requested at $25,000 each. As these funds are for post-doctoral fellows, they would represent new research personnel.

ENDOWMENT FUND

Question: Why is the endowment at the top of your list of new initiatives? Do you believe it will help to improve poor facilities, correct curriculum problems, or improve on students' low passage rates on national and state examinations?

Answer: We are requesting an endowment matching grant of $2,000,000 in fiscal year 1985. The University has placed a priority on receipt of these funds in an effort to enhance alumni and private giving to the University. It is our belief that receipt of these funds, with dollar for dollar matching, will enable the University to meet some of its curriculum problems through the use of revenue derived from these endowment funds. The receipt of these funds will not improve students' low passage rates on national and state examinations. These will be handled through other internal mechanisms.

Question: Do you now have an existing endowment to which these new funds would be added?

Answer: The University currently has an existing endowment fund under management of external investment managers. The University plans to add these funds to our existing endowment fund, but investment securities will be acquired for this fund only in strict accordance with the legislation.

Question: Does a precedent exist for the establishment of such a fund for a University which is not considered "developing"?

Answer: It is my understanding that such an endowment program was established for the American University in Beirut many years ago. Although Howard is not considered a "developing" institution under the definition of Title III programs, Howard is in fact a "developing" institution among major complex American universities. The Title III programs are principally designed for liberal arts colleges and two year junior and/or community colleges. It is because of Howard's status as developing university that the Department of Education is proposing the creation of the Endowment Fund.

FOREIGN STUDENTS

Question: What percent of qualified applicants do you turn away each year just because you don't have the facilities or the means to accommodate them?

Answer: The limited physical facilities, especially classrooms, and student housing, prompted the Board of Trustees at Howard to limit to 2 percent annually, increases in student enrollment. Since the University does not process applications after it has accepted its full complement of students, we can only estimate the numbers of qualified students that cannot be enrolled because we do not have the facilities to accommodate them. We estimate that, if physical facilities were available, we could accept at least an additional 5-6 thousand students annually.

Question: Do you have a cap on how many foreign students you can accept each year?

Answer: The Board of Trustees has approved an overall 2 percent limit on enrollment increases per year. The distribution of this increase is determined by appropriate academic units of the University.

Question: What percent are U. S. citizens?

Answer: It is estimated that 10 percent of the 2 percent qualified, but not accommodated, are U. S. citizens.

Question: To what extent does the admission of foreign students preclude the admission of American citizens at Howard?

Answer: Howard University does not recruit foreign students. The University's academic reputation plus its location in Washington, D. C., attracts many non-citizens and prompts many to seek admission. It would be a most unusual occurrence for a qualified U. S. citizen to be denied admission because the space has been given to a foreign student.

Question: Since Howard's budget is so heavily subsidized by the Federal Government, how do you justify accepting so many foreign students?

Answer: In 1975, Dr. James E. Cheek, President, responded to Secretary Caspar W. Weinberger regarding the high percentage of foreign students enrolled at Howard. Dr. Cheek's philosophy is expressed in the following excerpts from that communication which remains applicable today.

"Howard University is aware of the fact that it has a high percentage of foreign students as a part of its total student enrollment. We, however, have never looked upon this as an unfavorable circumstance since the majority of these students come from underdeveloped countries. Many of these nations have a favorable relationship with the United States. Howard has enjoyed over its one hundred and eight years of existence, a national and international reputation for excellence. This, of course, has been

due to its academic record and the fact that it has not arbitrarily or capriciously imposed a quota system for any class of students, irrespective of race, creed, or national origin.

It has been our position that the faculty at Howard University has assisted the United States Government in educating future leaders in the underdeveloped countries and felt that they would have a better relationship with this country if their college days were pleasant ones. The Office of Education, in its most recent examination and review of Howard University, encouraged this role, and, in fact, stressed that the University should take specific steps to strengthen its leadership in international education."

The Middle States Association of Colleges and Schools, the accrediting body for Howard, in its "Report to the Faculty, Administration, Trustees and Students of Howard University" in 1979 states:

"It must be stated that Howard University, over the years, has had as one of its great strengths - the diversity of its student body. This diversity crossed racial, ethnic and religious lines but equally important it crossed social, cultural, geographical and national lines within the world community of blacks. For example, through its graduates, its influence in rural and urban areas of the great countries of Africa are just as significant, just as powerful, and just as important as its influence in the urban and rural areas of this country. In this respect it is an academic institution of international renown. This has served to enhance its academic programs and to increase and improve its scholarly output in service to communities both in this country and in other countries. To continue as an outstanding university, Howard University needs to continue to have its diversified student population. It is a role that is unparalleled in higher education but one that needs to be nurtured and expanded. The team, therefore, strongly recommends that the trustees, administrators and faculty of this University do everything possible to maintain the kind of student body that has helped to make it a great institution."

CONSTRUCTION FUNDS

Question: It is my understanding that Howard will request an estimated $83.3 million in renovation and new construction funds for fiscal year 1986. For what purpose will these funds be used? Does this request require an authorization?

Answer: The Department of Education informs me that this question cannot be answered at this time, inasmuch as no budget request for 1986 has been submitted to the Department.

ACADEMIC DEFICIENCIES

Question: For some time now, we have been attempting to determine whether some sort of long-term overall, comprehensive plan exists at Howard to systematically reduce the long list of academic deficiencies at each school which has been cited by

accrediting agencies. Please provide us the plan, if one exists, and the timetable by which it is to be implemented.

Answer: The only school that has developed a written plan to address problems cited by an accrediting body is the School of Law.

For the other schools and colleges the two major deficiencies cited overall are (1) insufficient research and (2) inadequate physical facilities.

With respect to research the University is requesting support for the establishment of a research fund to provide a base foundation and also aggressively seeking research grants and contracts.

With respect to "inadequate facilities" the Congress appropriated in fiscal year 1979, $125,000 and in fiscal year 1980, $300,000 to retain outside consultants to evaluate all of the University's physical facilities and provide recommendations for correction of inadequacies. Those studies have now been completed and we will be seeking funds in the fiscal year 1986 appropriation to begin the implementation of the consultant's recommendations.

The plan of action for the Howard University Law School follows:

PLAN OF ACTION

HOWARD UNIVERSITY

SCHOOL OF LAW

PLAN OF ACTION RECOMMENDED BY THE LAW FACULTY IN RESPONSE TO CONCERNS EXPRESSED IN A RESOLUTION BY THE ASSOCIATION OF AMERICAN LAW SCHOOLS (AALS) IN A LETTER DATED DECEMBER 8, 1982.

Approved by the Law Faculty

on March 10, 1983

The written plan of action adopted by the Faculty addresses the following areas:

1. Tests
2. Grading and Attrition
3. Oversight
4. Curriculum and Teaching of Core Courses

5. Seriousness of Purposes/Scholarly Atmosphere

6. Bar Passage

7. Scholarly Research

8. Admission

9. Funding Priorities

10. Administrative Systems

11. Implementation

WRITTEN PLAN OF ACTION

1. Tests

1.1 That there be created a committee in the law school to carry out the recommendations herein described and not delegated to anyone else, provided that decisions of the committee be subject to approval by the full faculty to carry out the following functions:

(a) to develop, adopt and enforce standards for determining the content and the skills to be tested, the forms of formal tests, the frequency of tests and their preparation, validation and evaluation.

(b) to review and revise the procedures governing the administration of formal examinations in the Law School.

(c) to collect data on testing as it is conceived of and administered in other law schools.

1.2 That those who teach any sectioned course meet with the others who teach that course and prepare and submit to the committee referred to in paragraph 1.1 a joint report, in writing, containing proposed standards and criteria pursuant to paragraph 1.2. The report shall be due on June 30, 1983.

1.3 That those who teach any nonsectioned course shall submit the written report in accordance with paragraph 1.2 by June 30, 1983.

2. Grading and Attrition

2.1 That the committee established under paragraph 1.1 be charged with developing standards for the evaluation of student performance and with performing the other functions provided in paragraph 2.2.

2.2 That we adopt a system of grade normalization, as follows:

1L		2L		3L	
10-20%	F	5-15%	F	0-10%	F
20-30%	D	15-25%	D	0-20%	D
30-40%	C	30-45%	C	30-45%	B
0-10%	A	0-10%	A	5-20%	A

Grades for all courses must comply with the arithmetical requirements of the system. One could consider providing relief by way of special exception upon a showing by the professor that his grades fall significantly above or below the norm. Limitations could be imposed on the extent to which grades would, on a suitable showing, vary from the norm.

2.3 That we revise the Joint Faculty-Student Review Committee Statute.

2.4 That all grade records be available to the faculty to determine the accuracy of the grade given for certification or for other good cause.

2.5 That the general expectation by administration and faculty be that the Law School's attrition rate be that of the norm for law schools in this country.

3. Oversight

3.1 That there be created an Advisory Committee of distinguished citizens to advise and counsel the Law School. The members will consider the functions and tasks for which the Faculty, the administration and the students are responsible. The members will be drawn from relevant professional disciplines.

4. Curriculum

4.1 Greater emphasis will be given to the development of written lawyering skills through a revised mandatory three year writing program which is more uniform and intensive than the current program in order to insure the constant development of the written skills and to sharpen the analysis needed both to pass the bar and to be a competent attorney.

4.2 The writing program in the first year will consist of the following three (3) components which will complement each other:

(a) a revised three (3) hour year long process and methods course entitled Legal Analysis I & II (See Recommedation 4.3);

(b) mandatory multiple examinations in all core courses (See Recommendation 4.4); and

(c) a revised four (4) hour year long course entitled Research, Writing and Argumentation (See Recommendation 4.5).

This writing program will add two (2) credit hours to the required course load during the first year, bringing the total first year hours to thirty.

4.3 The Legal Process and Analysis course will introduce skills and concepts which students need for proper grounding for understanding the materials in the substantive legal courses. The course will be taught in mini-sections comprised of no more than twenty (20) students each. The course should include:

(1) Overview of logic;

(2) Note-taking exercises;

(3) Reading and briefing of cases;

(4) Synthesizing cases;

(5) Statutory interpretation;

(6) Non-research control memorandum;

(7) English and American Legal History, including the development of the common law, equity and the law merchant;

(8) The interrelationship of economics and law; and

(9) The diverse roles, responsibliities and obligations of lawyers, and particularly Black lawyers, in a democratic society. This topic will not replace the professional responsibility course but rather will enhance it by providing a more general non-technical approach at the beginning of a student's legal career.

To enhance the integration of the materials in this course with the material being taught in core courses, the Legal Analysis course will be taught in conjunction with, but not necessarily by the same professors, and shall include one of the following courses: Torts, Property, Contracts or Civil Procedure.

4.4 In order to enhance the writing and analytical skills and to promote a well-grounded and enduring understanding of fundamental legal concepts by first-year students, students must be examined in writing at least two times per semester - four (4) examinations for a year course - and they must be graded both for the purpose of evaluating students' progress and the purpose of providing timely feedback to students on their progress. Every professor teaching a first year course will have sufficient teaching assistants to facilitate both the grading of and feedback on examinations. The thirty (30) day deadline for the submission of examination grades applies only to final exams.

4.5 The Legal Research, Writing and Argumentation program will introduce principles and methods of legal research and the drafting of formal legal documents. The course will begin with introduction to legal bibliography and research tools, including the Uniform System of Citations, Lexis and Westlaw.

During the course of the year, students will be required to draft the following series of legal documents:

(1) Inter-Office Memorandum;

(2) Opinion Letter;

(3) Complaint;

(4) Answer;

(5) Motion for Summary Judgment with Memorandum of Points and Authorities;

(6) Interrogatories;

(7) Dissenting opinion based on a furnished majority opinion;

(8) Memorandum of Law; and

(9) Appellate Brief.

The same basic factual background will be used for the entire series in order to illustrate the different stages of legal work, including non-litigative stages in which a legal problem has not yet evolved into a formal controversy. Representation of corporate, governmental and individual clients should be addressed to the extent practicable.

Students will begin drafting in the first semester and will finish in the second semester, at the end of which there will be a First Year Moot Court Competition related to the appellate brief. This course will be worth four (4) hours credit, two (2) hours in the Fall and two (2) hours in the Spring. The final grade for the course will be given in the Spring.

The course will be taught in mini-sections by teaching fellows under the supervision of full-time professors who will be lawyers experienced in teaching legal writing. In order to enhance the commonality of this writing program and to facilitate effective use of resources, the Legal Research, Writing and Argumentation Program will be coordinated by a director who will be a professor and a lawyer who is experienced in teaching legal writing. The professors who supervise the teaching fellow will report directly to the director for administrative matters but ultimate responsibility for grading will rest with the supervising professors. Teaching fellows will be recent law graduates who will be hired on a yearly non-tenure track basis exclusively to teach formal legal writing. Library staff will be utilized to teach or assist with legal bibliography; communications skills specialists will help with the non-legal aspects of drafting.

4.6 In order to enhance the writing experience currently provided by Trial Advocacy during the second year, Trial Advocacy professors will be aided by teaching fellows or upper classmen in evaluating and providing feedback on the written assignments required in Trial Advocacy. Each section of Trial Advocacy will be assigned at least four (4) teaching fellows or upper classmen who will be supervised by those who teach the sections.

4.7 In order to refine the written and analytical skills acquired by students during their first two years in law school and to insure that each Howard Law graduate is solely responsible for the production of at least one research paper of publishable quality, a third year paper will be required of each student. The paper will be worth one (1) credit hour and can be done either in conjunction with a seminar or as an independent study under the supervision of a full-time faculty member. Faculty supervision under the latter option is discretionary. The requirement of a paper is not inconsistent with those seminars which may not require individual papers. The paper requirement will be waived, upon request, for a student who has published a Howard Law Journal article or has had an article accepted for publication by the Journal.

4.8 In order to better promote commonality and adequacy in the content of coverage of all first and second year required courses

(A) Each year, each faculty person must submit his or her syllabus for every course she/he teaches to the Instruction Committee (or such other committee as may be established) which will review the syllabus for evidence of compliance with the course descriptions in the Law Student Handbook.

(B) On an experimental basis, professors who teach the different sections of each first or second year required course must give final exams of which at least fifty (50) percent of the questions (measured by point value) are common questions appearing on all the sections' exams. These common questions should also be evaluated in accordance with common standards agreed upon by the professors. This experiment will be for three (3) years.

5. Seriousness of Purpose/Scholarly Atmosphere

5.1 That the Faculty Forum Committee be re-established forthwith.

5.2 That a Faculty colloquium with presentations by faculty or outside speakers be held at least once a month.

5.3 That, as a part of our emphasis on substantive concerns, time (10 minutes or so) be allotted on the agenda of each faculty meeting for a presentation by a faculty member of remarks on new thinking on legal education; new legal questions on the horizon; new areas of legal concern; or the approach taken in teaching one of his courses; what is happening in other law schools or the focus of current legal thinking in a particular area.

5.4 That the Law School have summer research programs, workshops and institutes.

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5.5 That administrative support be better geared to undergird and make possible this scholarly atmosphere.

5.6 That the Law School establish a Special Annual Chair for outstanding scholarship in the previous academic year.

5.7 That the Seriousness of Purpose Committee be reestablished immediately. That it develop faculty and administrative standards with respect both to activities appropriately carried on at the Law School and to their frequency, timing and scheduling. That its mandate include the consideration of the cases of students referred to them for alleged lack of seriousness of purpose, including, but not limited to, problems of attendance for first, second and third year students from the first day of the semester, class preparation, the use of student aids, student cheating and greater security for examinations.

5.8 That there be a significant increase in student aid.

5.9 That there be established additional honors and incentives for students with an average above 80.

5.10 That the administration and faculty reaffirm their determination to the enforcement of the rules currently applicable, including the rules with respect to the applicable sanctions for absences exceeding 25 percent of the class sessions.

5.11 That there be the development of a law school enrichment program for students and that this be under the aegis of the faculty program and projects committee.

6. Bar Passage

6.1 That a committee be formed to collect information on bar performance and other related matters.

6.2 That the procedure for the comprehensive examination of students be made mandatory beginning with the Class of 1986 as follows:

All students will be required to take a written comprehensive examination.

The examinaton will cover all core courses during the first three semesters.

The comprehensive examination will be given the eighth week of the fourth semester.

All students will be critiqued individually.

The examination will administered by a faculty committee.

6.3 That the comprehensive examination be given on an experimental basis for the 1984 class and the 1985 class.

7. Research and Publication

7.1 That research and publication are an integral part of teaching and of the execution of the Law School's mission and are recognized as an important factor in promotion, tenure, and salary increases.

7.2 That each faculty member shall produce an article published or accepted for publication not less than every three (3) years. That this requirement be part of the promotions' criteria.

7.3 That library facilities, administrative support and research assistance be improved.

8. Admissions

8.1 That the admissions process be revamped so as to commence admitting students earlier and to encourage the earlier completion of applications.

8.2 That an aggressive recruitment program be implemented forthwith to attract more highly qualified students with high LSAT and GPA scores.

8.3 That the Law School study the new LSAT scale over the next three (3) years with a view of adopting a minimum LSAT score for incoming students.

8.4 That Howard Law School undertake a study in cooperation with the Educational Testing Service (ETS) in order to assess possible correlations between the LSAT and other factors, and the projected performance of Howard's law students.

9. Funding Priorities

9.1 We are satisfied that the Law School budget is spent on appropriate and needed programs or activities.

9.2 We need additional funds to strengthen the educational program of the Law School.

9.3 The power to generate these funds lies outside the Law School.

9.4 We have identified the following areas in which additional funds are urgently needed. This list is non-exclusive but sets out the highest priorities in no particular order of preference.

A. Student financial aid.

B. Administrative support staff and equipment particularly in areas of scholarly research, data analysis, instructional programs and monitoring and enforcement standards and rules.

C. Faculty salaries.

D. Teaching fellows and tutors.

E. Law Library.

9.5 The executive committee should fully participate in the budgetary process as it relates to academic policies.

10. Administrative Systems

10.1 That there is a need for state of the art electronic communications equipment, including word processing systems and methods as well as systems of adequate data collection and analysis.

10.2 That manpower support be utilized and managed more effectively generally and specifically for research support and the graduate (M.C.J.) program.

10.3 That the commmunications system for students, teachers and library services be improved.

10.4 That the Director of the Master of Comparative Jurisprudence (M.C.J.) Program receive either adequate remission from teaching duties or an administrative assistant.

10.5 That the Appointments and Promotions Committee be divided into two (2) separate committees.

10.6 That all recommendations for appointment to the full time faculty be ratified by the Faculty prior to action by the Dean.

11. Implementation

11.1 That a Faculty Committee with five (5) faculty members, and the Associate and Assistant Deans as members ex-officio be appointed to implement the plan of action specified herein and to make studies and recommendations covering other matters discussed by the Ad Hoc Committee on the AALS Report and the Faculty. This Committee shall report to the Faculty within sixty (60) days of the adoption of this report and every ninety (90) days thereafter.

11.2 That this plan of action be implemented as of July 1, 1983.

BELTSVILLE, MARYLAND CAMPUS

Question: Apparently Howard acquired some land in Beltsville in the last few years where animals were housed for laboratory purposes. We understand that the land is now being used to house a telescope which was donated by NASA. Under what circumstances did Howard acquire this land?

Answer: Howard University acquired its land in Beltsville, Maryland through the Surplus Property Utilization Act.

Question: What does it cost the University per year and what are future plans for this property?

Answer: The University incurs no annual costs to maintain the Beltsville property except real estate taxes in the amount of approximately $4,000 per year. The budget for the Animal Research Center, which is the major activity currently on the premises is $164,740 and includes salaries, supplies, equipment, etc. As funds become available, Howard will develop the site as a Center for the Life and Physical Sciences.

HOWARD UNIVERSITY HOSPITAL REVENUES

Question: While the appropriation for the hospital in terms of dollars has remained the same over the last few years, as total expenses increase, the percentage of the Federal share is decreasing. From what source is Howard University Hospital deriving sufficient additional funding to enable it to cover increasing costs?

Answer: Howard University Hospital has been able to cover the increasing costs of operations over the last few years by:

a. Maintaining a relatively high patient census.

b. By having annual increases in charges for services.

c. By continuing to pursue, vigorously, collections from patients for services rendered.

These three mechanisms have been successful. We should point out, however, that with the most recent changes in reimbursement policies, the hospital is at risk to have a shortfall in payments for patient services under the Medicare program. This program represents twenty-six (26) percent of our annual revenue. It is, therefore, with some uncertainty that we face the future in terms of our ability to continue to have a balanced budget.

HOWARD UNIVERSITY SUPPLEMENTAL

Question: It is our understanding that the University intends to request supplemental funding for fiscal year 1984. What is the amount of the request and what is the status of the request at this time?

Answer: The President's budget for 1984 included $159.7 million for Howard University, but the authorization limited the appropriation to $145.2 million. After the authorization was increased to $159.7 million, the University requested a supplemental. This request has been reviewed and the Administration has no plans at this time to submit a supplemental.

Questions Submitted by Senator William Proxmire

AMERICAN PRINTING HOUSE FOR THE BLIND

FISCAL YEAR 1983 DEFICIT

Senator Proxmire: Dr. Nolan, last year you reported that the American Printing House for the Blind had been operating at a

deficit for the past few years. In fiscal 1982, for example, you advised that the deficit was $233,000 and that you anticipated a greater deficit in fiscal 1983. Can you tell us how much the deficit was last year?

Answer: This deficit was $646,932.

Senator Proxmire: How did you cover this deficit?

Answer: We had to utilize funds donated by the public. These are funds we would ordinarily use for building repair, equipment maintenance, and acquisition of new equipment.

CATALOGS DISTRIBUTED

Senator Proxmire: In fiscal 1982, you reported that 28.752 catalogs listing braille textbooks, large type textbooks, educational aids and braille music were distributed by the Printing House. How does this compare with the number of catalogs distributed in fiscal year 1983?

Answer: We distributed 16,990 catalogs for these products in fiscal year 1983.

CONTRIBUTIONS FROM THE PUBLIC

Senator Proxmire: The Printing House received $1.6 million in private contributions in fiscal 1982. How much did it receive last year?

Answer: We received $1,425,212 in contributions last year. The major portion of these supported publication of the special editions of Reader's Digest and Newsweek.

FISCAL YEAR 1983 SALES

Senator Proxmire: How much was derived from the sale of products by the Printing House last year?

Answer: Our sales last year equalled $11,630,720, including the $4,660.000 for educational materials from the Federal appropriation.

Senator Proxmire: What percentage do product sales represent of your overall operating budget?

Answer: Sales represent 95 percent of our total operating budget.

EFFECTS OF LEVEL FUNDING

Senator Proxmire: The budget requested next year for the Printing House would maintain the current $5 million level of funding. Given the fact that the bulk of the Federal appropriation is used for labor and material costs, what impact will a level budget have on your expenses in 1985? Will you have to cut back on the number of instructional materials because of cost inflation?

Answer: In a situation where funding remains constant but where labor and materials costs increase each year, the actual number of materials that can be provided steadily decreases. We estimate this decrease will be 6 percent in fiscal year 1985.

INCREASING CASH SALES

Senator Proxmire: You are projecting educational sales of $1.4 million in the current fiscal year and the same amount for next year. This represents a decrease of $133,000 from fiscal 1983. Why can't you increase revenues in this area?

Answer: The sum of $1.4 million is our best estimate. We are making every effort to increase these sales. However, limited funds for information services restrict our efforts.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

COST PER STUDENT

Senator Proxmire: Dr. Castle, you state that each student enrolled in the National Technical Institute for the Deaf has his or her own educational program tailor-made to suit his or her specific needs. Certainly, the 95 percent employment rate of the Institute's graduates who seek jobs speaks volumes about your success rate. In fiscal 1982, I understand, the instructional costs for each student was $9,800. What was the cost last year per student and what are your projections for fiscal 1983 and 1984?

Answer: NTID has recently reviewed the methodologies employed in previous cost per student calculations and found them to be lacking. The basic shortcoming of the procedures used to arrive at a $9,800 per student cost for 1982 was the inadequate accounting for the support and other indirect costs associated with instruction. The results of using an improved method for calculating costs are:

1982	1983	1984	1985
$14,082	$15,217	$14,003	$15,708

You will note that our cost per student is down in fiscal year 1984. This is because the marginal cost per student associated with the rubella contingent is much less than our normal cost per student.

Senator Proxmire: How much of the instructional cost per student is met through tuition?

Answer: The instructional cost per student and the amount of tuition per student follows:

	1982	1983	1984	1985
Educational Costs per Student	$14,082	$15,217	$14,003	$15,708
Tuition and Fees per Student	$831	$1,022	$1,350	$1,734
Percent met through Tuition and Fees	5.9%	6.7%	9.6%	11.0%

A substantial tuition increase is responsible for the dramatic change in the proportion.

STUDENT/FACULTY RATIO

Senator Proxmire: Last year you reported that the student/teacher ratio would jump from 8 to 1 in 1982 to 11 to 1 in fiscal 1985. What effect will that have on student performance?

Answer: We have already reached 11 to 1 in fiscal year 1984. It has long been a standard that 8 to 1 was the most appropriate student/faculty ratio because of the myriad of communications problems that exist in the classroom due to the varying modes of communications and the extensive student/faculty contact required after class. Thus, our decision to push the ratio to 11 to 1 was tenuous at best, but necessary if we were to accommodate the additional students within the resources provided. This year's results are not totally in yet. Disciplinary problems are up, but academic suspensions are about normal. Other measures are under investigation.

OPPORTUNITIES OTHER THAN NTID

Senator Proxmire: You state that the Institute will have a waiting list of 230 students in fiscal 1985. Aren't there any other schools which can accommodate these students?

Answer: Gallaudet has expressed that they expect to have the capacity to accept all who apply in fiscal year 1985. However, the students who normally apply to NTID have aspirations in technical education, and I doubt that many of them would be amenable to a liberal arts education. Other colleges are facing substantial fiscal problems and are cutting back in nonessential areas just to survive. I know this to be true of many independent colleges and I would suspect that publicly supported schools are facing similar problems due to the shrinking tax base. Therefore, I doubt that they will invest in the proper support services necessary to ensure a deaf student's success at the college level. If anything, I would predict that these institutions are becoming less accessible to the deaf because of these fiscal constraints.

In addition, the four Regional Technical Programs for the Deaf, namely, the University of California at Northridge, Seattle Community College, the University of Tennessee and St. Paul Technical and Vocational Institute are facing cutbacks at the Federal level and are projecting few if any increases in enrollment capacity.

Because of the above problems, and the fact that as of the end of January 1984, NTID had completely filled its fall 1984 quota of 465 new students, students who apply after February 1, 1984, and who meet the entrance requirements, will be placed on a waiting list and guaranteed a slot in the fall 1985 entering class.

AUXILIARY SERVICES PROVIDED BY ROCHESTER INSTITUTE OF TECHNOLOGY

Senator Proxmire: More than 20 percent of your budget request will support auxiliary services provided by the Rochester Institute of Technology. Can you touch briefly on what's included in these services and let us have a detailed breakdown for fiscal year 1983, the current year and fiscal 1985?

Answer: The net cost of auxiliary services, which is the number you are referring to, is the total cost of services provided by the Rochester Institute of Technology (RIT) less off-setting non-Federal funds (tuition, room, board and fees) collected from the students.

	($ in 000s)		
	1983	1984	1985
Institutional Services	$8,892.8	$10,950.9	$12,044.8
Non-Federal Funds	(3,260.4)	(4,750.0)	(5,500.0)
Net Cost	5,632.4	6,200.9	6,544.8

The following are brief descriptions of the types of expenses that are included in institutional services:

-- RIT Instructional Resources: copying services and miscellaneous instructional supplies related to support of cross-registered students.

-- Student Health Fees: proportionate allocation of expense of the RIT Student Health Center.

-- Administrative Rent Dorms: space utilization charge for NTID administrative offices located in dormitories.

-- Custodial Services: cleaning services for administrative and classroom space.

-- Utility Services: maintenance of power generators, boilers, etc.

-- Maintenance Services: repair services for administrative and classroom space.

-- Grounds: maintenance of NTID-specific areas as well as shared spaces with RIT.

-- Rentals - Support Teams: rental of space in RIT buildings utilized by NTID departments which support NTID students registered in the other colleges of RIT.

-- Heat, Light/Power, Waste Collection, Security Patrol, Taxes, Insurance: self-explanatory.

-- Overhead: proportionate share of indirect costs of operation incurred by RIT.

-- Stage III (Indirect): overhead costs assigned to NTID-owned dormitory.

-- Dining Commons (Indirect): overhead costs assigned to NTID-owned dining facility.

-- Tuition Charges: tuition paid by NTID for NTID students enrolled in or taking coursework in the other colleges.

-- Room (Direct): operating costs of NTID-owned dormitories.

-- Board (Direct): operating costs of NTID-owned dining facility.

-- Athletic/PE Fees, Activity Fees: fees paid to RIT for NTID students.

-- Medical Insurance: premiums paid for NTID students.

Below is a detailed breakdown of auxiliary or institutional services provided by the host institution, RIT.

Institutional Services
($ in 000s)

		1983	1984	1985
315	RIT Instructional Resources	$ 1.1	$ 6.2	$ 6.5
602	Student Health Fees	147.8	197.5	205.6
624	Administrative Rent Dorms	201.9	232.5	247.4
626	Custodial Services	221.4	295.2	313.4
627	Utility Services	111.8	137.0	144.7
628	Maintenance Services	170.4	199.0	210.4
629	Grounds	92.2	115.3	122.4
634	Rentals - Support Teams	30.8	30.0	30.0
635	Heat	136.5	222.9	336.2
640	Light and Power	291.0	420.2	634.8
645	Water	15.9	18.0	19.0
655	Waste Collection	8.3	6.5	7.0
660	Security Patrol	89.7	99.4	104.5
665	Taxes	24.5	16.8	17.8
710	Insurance	13.0	17.3	19.0
750	Overhead	2,974.0	3,584.0	3,750.0
753	Stage III (Indirect)	128.3	144.0	156.0
754	Dining Commons (Indirect)	66.0	75.0	80.0
755	Tuition Charges	894.3	1,227.7	1,408.1
760	Room	1,433.1	1,985.3	2,157.7
765	Board	1,166.7	1,419.7	1,551.7
773	Athletic/PE Fees	158.0	182.1	196.4
775	Activity Fees	151.7	197.2	201.7
779	Medical Insurance	104.5	122.1	124.5
788	Prior Years Adjustment	259.9	---	---
	Total	8,892.8	10,950.9	12,044.8

CAMPUS CRIME

Senator Proxmire: Dr. Castle, can you tell us the nature and extent of campus crime, if any, at the National Technical Institute for the Deaf?

Answer: Campus crime in our experience is limited primarily to misconduct, which includes things such as false fire alarms, repeat offenses after being placed on warning or probation, and abusive behavior.

Senator Proxmire: (If there is a problem) Has the problem increased or decreased over the last school year and what steps are being taken to deal with crime on campus?

Answer: Over the first two quarters of fiscal year 1984, there has been a marked increase in the number of disciplinary suspensions of NTID students resulting from misconduct (from 5 all of last year to 15). This increase corresponds with admission of the largest number of students in the history of NTID. The students being suspended are predominately false fire alarm cases and repeat offenders. The Dean of NTID, the Vice-President for Student Affairs of Rochester Institute of Technology, and the Assistant to the Vice-President of Student Affairs for Judicial Affairs have been working with NTID staff to attempt to isolate those factors in the background of suspended students that are contibuting to this situation.

GALLAUDET COLLEGE

NON-FEDERAL FUNDING

Senator Proxmire: Dr. Lee, The budget justifications report that Gallaudet received 76 percent of its operating expenses in fiscal 1983 through the Federal appropriation and this proportion will increase by one percentage point in fiscal 1985, assuming we adopt your budget request. The balance is derived through non-Federal sources such as tuition and auxiliary service revenue. How does this break out? Of the remaining 24 percent, how much is attributable to tuitions and how much through auxiliary services?

Answer: In fiscal year 1983, Gallaudet College received a Federal appropriation of $52,000,000 for College, MSSD and KDES programs. While $33,910,000 was allocated to College programs, these activities were supplemented with $10,621,619 in non-Federal revenue. In fiscal year 1985, the College is requesting $38,600,000 and project non-Federal revenues to total $11,146,000.

The source of non-Federal revenue for fiscal years 1983 and 1985 are as follows:

	Fiscal Year 1983 Actual	Fiscal Year 1985 Projected
Tuition and Fees	$1,938,186 (18%)	$2,430,000 (22%)
Auxiliary Services	$4,591,643 (43%)	$4,636,000 (41%)
Gifts and Grants	$3,020,284 (29%)	$3,248,000 (29%)
Investment Income	$ 635,423 (6%)	$ 430,000 (4%)
Other Income	$ 436,083 (4%)	$ 402,000 (4%)

Senator Proxmire: How much is your tuition?

Answer: In 1984, the tuition is $1,334. By standing agreement with the Department of Education, Gallaudet College and the National Technical Institute for the Deaf (NTID) have worked together in providing parity in tuition rates. As a result, deaf students, who are unable to attend State colleges, have been given the option of choosing the institution which best meets their educational and career objectives.

It is anticipated that by 1988, tuition rates will be in the fourth quarter mean of land grant colleges. However, in order to reach this goal, tuition rates will have to increase by 26 percent in fiscal year 1985 to $1,684 a year.

COST PER STUDENT

Senator Proxmire: What is the true instructional cost per student?

Answer: In determining the institution's instructional cost per student, Gallaudet allocates support costs to four functional objectives: instruction, public services, research, and auxiliary enterprises. The total instructional charges, including the allocated support costs, are then divided by the total enrollment.

The College's cost per student in fiscal year 1983 was $13,548, in fiscal year 1984, $13,705, and in fiscal year 1985 it is expected to be $12,700.

TUTORIAL SERVICES

Senator Proxmire: The number of students receiving tutorial services has consistently increased since 1983. In fiscal 1983, for example, the number totaled 385. This was increased by 67 for the current year. However, the number of students expected to receive these services would jump to 700 next year, which is 248 over the current year. Can you tell us why there is such a significant increase in the number of pupils who need these services?

Answer: The demand for tutorial services in large part is attributable to the rubella-inflated enrollment. The number of students who need this service exceeds the current level of staff and support resources available to meet the demand. The College, in its fiscal year 1984 request, asked for funding to increase the level of tutorial services. Although Gallaudet was authorized to receive this funding increase in 1984, the funds were not appropriated. Hence, the demand has not been adequately served. Therefore, central to the fiscal year 1985 request is funding to facilitate extending these services to accommodate the increased enrollment.

Many of the students entering Gallaudet are beginning their post-secondary careers in the School of Preparatory Studies. While Gallaudet has always had a preparatory program, more students are in it now because rubella students generally require an increased level of remedial instruction. Concomitant to this instruction is an increased level of tutorial services.

HOWARD UNIVERSITY

NATIONAL DIRECT STUDENT LOAN DEFAULT RATE

Senator Proxmire: Last year, Howard's default rate under the direct student loan program was 29 percent, too high under current regulations for you to be able to receive any new Federal funding. You advised us that you had engaged private attorneys and the services of Wachovia Bank and Trust Co. to collect these delinquent debts. How successful have you been in reducing your default rate?

Answer: The University under the direct student loan program has had a fairly successful rate of reducing the delinquent default rate utilizing the services of private attorneys and Wachovia Bank and Trust Co. According to our records, for the period ended December 31, 1983 the default rate is now 19.31 percent as compared with a default rate of 29.68 percent as of June 30, 1982 or a reduction of 10.37 percent. We will continue our efforts until the default rate has been eliminated or reduced to less than 10 percent.

Senator Proxmire: What is the total amount owed to the University under the direct student loan program?

Answer: The total amount owed to the University under the direct student loan program as of December 31, 1983 was $673,571.

UNIVERSITY DEFICIT AT JUNE 30, 1983

Senator Proxmire: How much of a budget deficit did the University have at the end of fiscal 1983?

Answer: Howard University had an accumulated operating deficit of $8,777,694 as of June 30, 1983, the close of our latest fiscal year.

Senator Proxmire: Do you anticipate a shortfall this year?

Answer: Yes, we anticipate a shortfall this year.

Senator Proxmire: (If the answer is yes) How do you plan to generate enough revenue to clear up the deficit?

Answer: We plan to eliminate the deficit over the next several years through a series of steps that include tuition and fee increases, increased gifts and grants, increased auxiliary enterprises revenues, and a continuing review of all areas of revenue. At the same time, we plan to reduce expenditures substantially in an effort to totally eliminate the deficit. The University administration has already implemented an expenditure reduction plan that includes, among other things, a salary freeze, equipment purchase moratorium and changes in annual and sick leave accumulations. In addition, the administration is preparing added expenditure reductions for submission to our Board of Trustees at its meetings in April and June, 1984. Internal budget hearings are in process in an effort to determine where other substantial reductions can be made during the 1985 fiscal year in order for the University to reduce, and ultimately eliminate the deficit.

UNIVERSITY LIBRARY

Senator Proxmire: President Cheek, the budget justifications state that the acquisition of additional volumes for Howard University's library system that serves the entire student body -- the collection now stands at 1.2 million volumes -- required the addition of an undergraduate library building that has now been completed. The General Accounting Office recently compared Howard's library data with data at other university libraries and reported that Howard's library system is ranked low in volumes held

and high in expenditures for library materials, salaries and wages. How much did you spend in fiscal 1983 for library materials and how much do you plan to spend this year and in fiscal 1985?

Answer: The University Libraries system expended $3,206,316 for library materials in fiscal year 1983. It plans to spend $5,214,433 this year (fiscal year 1984), and $5,989,433 in fiscal year 1985.

In 1982-83, the Howard University Libraries system remained above the medians in eight (8) of the ten (10) categories in which Association of Research Libraries members are judged for purposes of the Library Index. Although the number of medians reached did not change in 1982-83, the index score for 1982-83 is .53 compared to .27 in 1981-82, a substantial improvement. Additionally, the University Libraries system ranked 28th as compared to last year's ranking of 36th. The two categories in which the University Libraries have not reached the medians are volumes held and microforms held. Although volumes in the libraries increased by 6 percent -- from 1,232,553 to 1,315,753 --and the number of volumes added was 18 percent, this was not enough to reach the median of 1,900,503. Microforms holdings increased by 28 percent -- from 1,112,789 to 1,420,593 --but not enough to reach the Association of Research Libraries median of 1,659,290.

The continuing primary objective of University Libraries is to reach and surpass the medians in the volumes held and microforms held categories. This will require further increases in expenditures for library materials.

It has been planned that this objective would be achieved over a five year period. The maintenance of and, in a few instances, improvements in staffing levels, both professional and non-professional is essential in achieving the aforementioned objectives. While the University Libraries is above the medians in both categories, the large materials budgets will require staff enhancement and/or re-deployment through continued consolidation of units.

Senator Proxmire: What's included in this account?

Answer: This account includes funds for the acquisition of monographs (including out-of-print source materials), serials (including current periodicals as well as back files), audio visual materials, microforms, magnetic tapes (census data, special surveys, and other statistics), slides (for support of art and architecture courses), equipment and furniture. In addition, funds will be set aside for on-line subscription fees as a teaching support for courses in on-line research methods on the graduate level.

Senator Proxmire: How many employees are employed in Howard's library system:

Answer: The University Libraries system employs a total of 238 persons. Eighty-nine of these are professional staff and 149 are non-professional.

Senator Proxmire: What was the average salary paid last year?

Answer: The average salary was approximately $21,219.

Senator Proxmire: How does that compare with the current year?

Answer: The average for the current year was the same since there have been no funds available for salary increases for fiscal year 1984.

Senator Proxmire: GAO also advised that the library director's position has been vacant since June, 1983 and, as of March 1st of this year, the University still was not seeking a replacement. Given our high unemployment rate, why is it taking you so long to find another library director?

Answer: An acting director has been appointed to provide administrative coordination of the library system until a new director has been found. The overriding concern in filling the position was to take the time necessary to find the best candidate for the position. It was envisioned that the position would be filled by the beginning of the next fiscal year.

Senator Proxmire: Have you started the search yet?

Answer: The search has been started informally in that a number of resumes have been received and are being reviewed. It is expected that additional resumes will be received when the position is advertised later this month.

Senator Proxmire: (If not) When do you anticipate filling this position?

Answer: It is anticipated that the position will be filled by July 1, 1984.

ENDOWMENT AND GIFT REVENUES

Senator Proxmire: Last year, you reported that in fiscal 1982 Howard received 1 percent of its revenues in endowments and 3 percent in private gifts. How does this compare with fiscal 1983 and what are your goals for the current year and fiscal 1985?

Answer: In fiscal year 1983 Howard's endowment revenues totalled 1,273,937, representing 1 percent of total revenues. Gifts totalled $5,933,105, or 3 percent.

The fundraising goal for the current fiscal year is to raise $6.0 million in private-sector contributions. The fiscal 1985 goal has been set at $8.0 million.

ALUMNI SUPPORT

Senator Proxmire: Can you tell us how much alumni support you received last year? I want the percentage.

Answer: Alumni support for fiscal 1983 totalled $1,248,172, representing 21 percent of total contributions.

Senator Proxmire: What are your goals in this area for the current year and fiscal 1985?

Answer: The alumni goal for the current fiscal year is $1,650,000. For fiscal 1985 a goal of $2.5 million has been established.

LAW SCHOOL ACADEMIC STANDARDS

Senator Proxmire: President Cheek, the General Accounting Office reports that one of the weaknesses noted by accrediting associations in its assessment of Howard University's degree programs was the low test scores achieved by graduates of the dental and law schools on state and national examinations. For example, the Association of American Lawyers in its evaluation of Howard's Law School expressed concern over the continuing high percentage of Howard Law School graduates who fail the District of Columbia bar exam. The Association also reported substantial concern regarding the "Academic rigor of the program, particularly grading standards and attrition rate". What have you done to raise the law school's academic standards since this deficiency was cited two years ago?

Answer: The faculty of the School of Law approved on March 10, 1983, a plan of action that was expected to raise the law school's academic standards since the deficiency was cited two years ago.

The central elements of this plan are as follows:

1. The creating of a committee in the Law School to development and implement procedures, subject to approval by the full faculty, that would carry out the following functions:

   a. to develop, adopt and enforce standards for determining the content and the skills to be tested and their preparation, validation and evaluation.

   b. to review and revise the procedures governing the administration of formal examinations in the Law School.

   c. to collect data on testing as it is conceived of and administered in other law schools.

2. The adopting of a system of grade normalization that would enable the Law School's attrition rate to reach that of the norm of law schools in this country.

3. The placing of greater emphasis on the development of written lawyering skills through a revised mandatory three year writing program which is more uniform and intensive than the current program in order to insure the constant development of the written skills and to sharpen the analysis needed both to pass the bar and to be a competent attorney.

4. The instituting of a revised year course entitled Legal Analysis. This course will introduce skills and concepts which students need for proper grounding for understanding the materials in the substantive legal courses.

5. The requiring of examinations in writing at least two times per semester in order to enhance students' writing and analytical skills and to promote a well-grounded and enduring understanding of fundamental legal concepts by students.

6. The instituting of a revised year course entitled Research, Writing and Argumentation. The Legal Research, Writing and Argumentation program will introduce principles and methods of legal research and the drafting of formal legal documents. The course will include an introduction to legal bibliography and research tools, including the Uniform System of Citations, Lexis and Westlaw.

7. The requiring of a third year paper of each student in order to refine the written and analytical skills acquired by students during their first two years in law school and to insure that each Howard law graduate is solely responsible for the production of at least one research paper of publishable quality.

8. The unifying of the course content, test content, and evaluative criteria in all first and second year required courses.

9. The increasing of financial aid.

10. The instituting of a comprehensive examination which covers all core courses during the first three semesters.

11. The forming of a committee to collect information on bar performance and other related matter.

12. The implementing of an aggressive recruitment program to attract more highly qualified students.

The implementation of some elements of the plan of action was initiated in Academic Year 1983-84. It will be implemented substantially during Academic Year 1984-85. Some elements of the action plan have been in force on an informal basis since as early as 1980. This has resulted in an improvement in the passage rate of the D. C. bar examination for graduates in 1983 in comparison with those in 1982. The passing rate was 35 percent (8 passing) for the 23 certified 1982 graduates. For Virginia, the rate was 27 percent (3 passing out of 11 certified) for 1982 and 67 percent (4 passing out of 6 certified) for 1983. These results augur well for the future.

STUDENT ATTRITION RATE

Senator Proxmire: <u>How about the attrition rate? Has that narrowed at all?</u>

Answer: For the years 1980-1983, the number of students who were dismissed for academic reasons and the attrition rate were as follows:

Academic Period	Number of Students	Total Enrollment	Attrition Rate
Fall 1980	415	11,284	3.7%
Spring 1981	583	10,978	5.31%
Fall 1981	290	11,391	2.5%
Spring 1982	540	10,792	5.0%
Fall 1982	327	11,660	2.8%
Spring 1983	546	11,162	4.9%

Senator Proxmire: GAO also reported that Howard's dental school had a 10 to 12 percent attrition rate. Compared with a national attrition rate of 3.4 percent, that's rather high. Why does the school lose so much of its student population in a given school year?

Answer: The attrition rates quoted in the GAO Report are based on a comment taken from the 1979 Evaluation Report of the Commission on Dental Accreditation for the College of Dentistry. This comment states in part "the attrition rate averages from 10 to 12 percent; the national average is approximately 3.4 percent." These figures evidently refer to the freshman class for the preceeding year. The American Dental Association in Supplement 5 ("Dental Student Attrition, 1978/79 Academic Year") to the Annual Report 1979-80 Dental Education reported that 109 students were enrolled in the freshman class at Howard and 10 withdrew for an attrition rate of 9.2 percent. National figures for the same year show that of the 6,301 freshman students enrolled, 231 withdrew for an attrition rate of 3.7 percent. All classes at Howard averaged a rate of 6.6 percent while the national rate was 1.8 percent.

The latest figures published in 1983 show that first year attrition at Howard has decreased to 8.3 percent while the national rate has risen to 4.9 percent. The attrition for all classes at Howard has decreased to 2.8 percent while the national rate for all classes has risen to 2.2 percent.

This is an admirable accomplishment considering the fact that the College enrolled a higher risk student than the majority of other dental schools. The College tries to keep the attrition rate to a minimum by the use of academic reinforcement and tutorial programs.

CURRICULUM DEFICIENCIES

Senator Proxmire: Frankly, President Cheek, Howard's curriculum deficiencies concern me a great deal. Putting aside the Federal government's substantial investment which represented 62 percent of Howard's operating expenses last year, and the apparently poor return the taxpayer is getting based on GAO's recent audit, I believe students have the right to expect something more from education than a false sense of accomplishment. A strong curriculum is the lynchpin of the educational experience along with

competent instruction. Just exactly what deficiencies were cited and what reforms have you instituted since these problems were point out?

Answer: The only area in Howard's academic programs where "curriculum deficiencies" were cited by an accreditation site visitation committee was in the School of Education which was inspected in 1979. The committee cited deficiencies not only in the curriculum but also in the physical facilities. We agree with the committee's observation that "a strong curriculum is the lynchpin of the educational experience along with competent instruction" and our efforts to enhance our academic programs through increased funding have been the basis for our budget requests.

The curriculum deficiencies cited by the accrediting team from the National Council for Accreditation of Teacher Education (NCATE) for the School of Education addressed the deficiency in coordination and administration between the School of Education and the other schools and colleges of the University educating and training students in secondary subject matter who are contemplating careers in teaching at the secondary or collegiate level.

The absence of coordination between the School of Education and the College of Liberal Arts is in the process of being corrected to conform with the requirements of the appropriate accrediting bodies for Schools of Education.

The University has not received any negative reports from accrediting associations for any of its schools and colleges concerning curricula. Almost all of the deficiencies that have been cited with respect to Howard's academic programs have cited deficiencies in physical facilities, insufficient research, the need for additional faculty in some disciplines, and library resources.

With respect to deficiencies in physical facilities, the Executive and Legislative branches of the Federal Government decided in 1979 and 1980 that Howard's request for new facilities and renovations would not be supported until a thorough study and evaluation of Howard's physical facilities problems and future needs had been conducted by external architects, engineers and planners. To accomplish this objective, the Congress appropriated a total of $425,000.

These studies have now been completed and the University can proceed to request in fiscal year 1986 and in subsequent years the funds required for constructing new facilities and renovating existing buildings to accommodate its programs in teaching, learning and research. The University will request the appropriate committees of the Congress to support legislation authorizing a funding level for fiscal year 1986 sufficient to begin correcting these deficiencies. While seeking increased funding to correct deficiencies where increased financial support is required through the Federal appropriation, the University will continue its program of seeking increasing private sector support.

ADMINISTRATIVE SALARY REPORT BY GAO

Senator Proxmire Dr. Cheek, the GAO report has been particularly critical of your administrative salary structure. According to the table on page 7 of the report, the top seven administrators at Howard exclusive of the Vice President for Health Affairs, received salaries totalling $646,174, in the 1982-83 school year. Please provide for the record a comparison of this total salary figure with the total for the top seven administrators of any universities you might choose to select, leaving out of the picture any medical school personnel. This will give us a more precise idea of how your top administrative salaries compare with those paid by other universities.

Answer: The GAO report on Executive salaries at Howard University is defective for reasons that are contained in the Report beginning at page 30 et. seq., "Howard University Comments on GAO Draft Report on Selected Aspects of Howard University's Operations and use of Federally Appropriated Funds."

In addition to these comments in the GAO Report, I offer the following additional observation:

1. It is impossible to provide the committee a comparison of Howard's salaries for the top seven administrators of "any universities you may choose to select" because such information is not available in any public document that identifies specific universities.

2. The College and Univesity Personnel Association (CUPA) report, "1982-83 Administrative Compensation Survey", does not group universities into discrete categories as does the American Association of University Professors (AAUP) Survey. The CUPA data, unless used selectively, do not constitute a reliable data base for comparison of administrative salaries.

3. The CUPA report uses "position titles" rather than "position duties and responsibilities." Because of this lack of refinement, some of the data derived from the "CUPA Administrative Salary Survey" can be misleading. As an example, CUPA's Survey reports salaries for more chief health affairs officers than there are health science centers currently in existence in the United States. Also the CUPA Survey reports salaries for "Chief Health Affairs Officers" that range from two (2) institutions paying less than $10,000 to six (6) institutions paying from $120,000 to $147.000. For this position, CUPA reports a mean salary of $54,403. This example alone (but there are others) illustrates the fact that the CUPA data are defective for comparative purposes.

4. Although the CUPA data do not identify universities, it should be noted that ten (10) of the eleven (11) universities selected by Howard in 1970 did participate in supplying information to CUPA. Yale and Howard Universities did not participate in the CUPA Survey for 1982-83. However, inasmuch as ten universities identified as peer institutions did participate in this survey, we can provide data for each administrative position in the CUPA Survey (except one position at Howard), and except for Yale University. on the assumption that the other institutions in Howard's peer group are included in the CUPA Salary Distribution

Survey inasmuch as these ten universities are comparable in size, curriculum, scope and complexity as is Howard.

The CUPA data we are supplying show the highest salary for each position, the number of institutions at each range and in parenthesis, the salary for each executive level position at Howard.

It is regrettable that the precise information from identifiable private universities is not available. Almost all private colleges and universities refuse to provide such specific information. The best we can do is to provide the CUPA data as follows:

Distribution of Salaries - All Institutions
(CUPA 1982-83 Survey)

Positions:

1.	President, Chief Executive Officer	(H. U. -$117,000)
	$ 145,000 - 145,999	1
	140,000 - 140,999	1
	132,000 - 132,999	1
	130,000 - 130,999	2
	125,000 - 125,999	5
	120,000 - 120,999	3
	119,000 - 119,999	1
4.	Chief Academic Officer (V. P. Academic Affairs)	(H. U. - $92,028)
	$ 125,000 - 125,999	2
	122,000 - 122,999	1
	108,000 - 108,999	1
	105,000 - 105,999	1
	102,000 - 102,999	1
	98,000 - 98,999	1
	94,000 - 94,999	1
5.	Chief Business - Fiscal Officer (V. P. Business & Fiscal Affairs)	(H. U. - $100,859)
	$ 105,000 - 105,999	2
	91,000 - 91,999	1
	85,000 - 85,999	4
6.	Chief Student Affairs Officer (V. P. Student Affairs)	(H. U. - $86,337)
	$ 93,000 - 93,999	1
	73,000 - 73,999	1
	70,000 - 70,999	3

7.	Chief Development Officer (V. P. Development and University Relations)	(H. U. - $82,412)
	$ 98,000 - 98,999	1
	90,000 - 90,999	1
	88,000 - 88,999	1
	81,000 - 81,999	1
10.	Chief Human Resources Officer (V. P. Administration)	(H. U. - $83,897)
	$ 75,000 - 75,999	1
	70,000 - 70,999	2
11.	Chief Health Professions Officer (V. P. Health Affairs)	(H. U. -$101,737)
	$ 146,000 - 146,999	1
	140,000 - 140,999	1
	134,000 - 134,999	1
	125,000 - 125,999	2
	120,000 - 120,999	1
	115,000 - 115,999	1
	110,000 - 110,999	2
	101,000 - 101,999	1
13.	Director, Legal Services (General Counsel)	(H. U. - $83,641)
	$ 98,000 - 98,999	1
	77,000 - 77,999	2
	74,000 - 74,999	1

HOWARD'S EXECUTIVE LEVEL SALARIES
COMPARED WITH THE HIGHEST SALARIES
AS REPORTED IN THE 1982-83 SURVEY - ALL INSTITUTIONS

(CUPA - Appendix A)

Positions:

2.0 President, Chief Executive Officer

CUPA Highest	$ 145,000
Howard	$ 117,000
Difference (Howard)	$ -28,000
Howard Rank #16	

4.0 Chief Academic Officer
(Vice President for Academic Affairs)

CUPA Highest	$ 125,000
Howard	$ 92,000
Difference (Howard)	$ -33,000
Rank #10	

5.0 Chief Business-Fiscal Officer
(Vice President for Business and Fiscal Affairs)

CUPA Highest	$ 105,000
Howard	$ 101,000
Difference (Howard)	$ -4,000
Rank #3	

6.0 Chief Student Affairs Officer
(Vice President for Student Affairs)

CUPA Highest	$ 93,000
Howard	$ 86,000
Difference (Howard)	$ -7,000
Rank #2	

7.0 Chief Development Officer
(Vice President for Development and University Relations)

CUPA Highest	$ 98,000
Howard	$ 82,000
Difference (Howard)	$ -16,000
Rank #5	

*10.0 Chief Human Resources Officer
(Vice President for Administration)

CUPA Highest	$ 75,000
Howard	$ 82,000
Difference (Howard)	$ +7,000
Rank	

11.0 Chief Health Professions Officer
(Vice President for Health Affairs)

CUPA Highest	$ 146,000
Howard	$ 102,000
Difference (Howard)	$ -44,000
Rank #10	

13.0 Director, Legal Services
(General Counsel)

CUPA Highest	$ 98,000
Howard	$ 84,000
Difference (Howard)	$ -14,000
Rank #2	

*CUPA does not list a position with the title of "Vice President for Administration." The closest CUPA position with which we could compare Howard's Vice President for Administration is the title of Chief Human Resources Officer. However, in the CUPA Report, this position is equivalent to Howard's Chief Personnel Officer. The Vice President for Administration at Howard serves as an executive with duties as follows:

1. Secretary of the University

2. Secretary of the Board of Trustees

In addition to these responsibilities, the Vice President for Administration at Howard is also responsible for overseeing the following University operating programs and/or departments:

1. Security and Safety Services

2. Personnel Administration (Non-Faculty)

3. Labor Relations

4. Radio Station - WHUR-FM

5. Television Station - WHMM-TV, Channel 32

6. Department of Theatrical Productions (in connection with WHMM-TV, Channel 32)

EDUCATIONAL RESEARCH AND STATISTICS

STATEMENT OF DR. DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:

MARIE D. ELDRIDGE, ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS,

DR. MANUEL J. JUSTIZ, DIRECTOR, NATIONAL INSTITUTE FOR EDUCATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENT

Senator WEICKER. The next part of our hearing is educational research and statistics. Within this account are the National Center for Education Statistics and the National Institute of Education.

The witness for these activities is Dr. Donald Senese, the Assistant Secretary for educational research and improvement. Dr. Senese, please introduce your associates and proceed as you wish.

Your statement in its entirety will be placed in the record.

[The statement follows:]

STATEMENT OF DR. DONALD J. SENESE

We appreciate this opportunity to appear before you to discuss the 1985 budget for Educational Research and Statistics.

Fiscal Year 1985 Budget Request

Support for Educational Research and Statistics is a Federal responsibility and makes a significant contribution to the educational enterprise. For fiscal year 1985, the Administration is requesting a total budget of $62,978,000 for Educational Research and Statistics. This amount would support a continuation of the fiscal year 1984 level of $8,747,000 for the National Center for Education Statistics. It would provide an increase of $6,000,000 over the fiscal year 1984 level for the National Institute of Education for a funding level of $54,231,000.

National Center for Education Statistics

As the primary Federal agency responsible for education statistics, the National Center for Education Statistics collects, analyzes and disseminates statistics on the condition of education in the United States, reports on the meaning of these statistics, and provides assistance to State education agencies in improving their statistical systems. Past trends, current estimates and future projections are provided for key aspects of education on an on-going basis, including enrollments, degrees, and staff, while special studies address emerging policy issues. Through reports, publications, data tapes, special tabulations and an information service, NCES responds to the needs of the broad spectrum of the educational community and the public for education statistics.

At the 1985 agency request level of $8,747,000, NCES would continue its core program to collect key data at the elementary/secondary and postsecondary levels. The Center would also continue to support longitudinal data collection on the high school seniors of 1972 and the sophomores and seniors of 1980, studies that are providing important new data on courses taken by high school students, the transition from school to work, student financial aid and the long-term benefits of education. In addition, surveys would be conducted to provide timely, policy relevant data, and data for congressionally mandated reports on the condition of education, and the supply and demand for educational personnel.

A number of special analyses planned for release in fiscal year 1985 deal with issues raised by the National Commission on Excellence in Education. These include NCES' most comprehensive report on private schools; estimates of the certification status of the Nation's teaching force plus shortages by field and the extent to which incentives are being used to promote teaching in critical fields; and an analysis of the estimated cost of implementing various strategies to increase the number of high school graduates who meet the recommended graduation standards of the National Commission on Excellence in Education. In addition, through analysis of data from the longitudinal study High School and Beyond, the Center expects to publish reports of particular interest to congressional concerns on the association of vocational education with such outcomes as labor force participation, unemployment, and earnings; and an in-depth analysis of the academic achievement of Hispanic students as related to factors such as courses taken and linguistic background. Under our 1985 request, work would also continue on refining and producing educational indicators identified with advice from members of the education community. These statistical indicators will assist administrators and education

policymakers to track progress toward greater academic achievement and excellence in education.

National Institute of Education

Mr. Chairman, the National Institute of Education is the Federal Government's primary agency for conducting research to find ways to improve American education. For fiscal year 1985, $54,231,000 is requested, an increase of $6,000,000 over the fiscal year 1984 appropriation level of $48,231,000. This request would enable the Institute to focus on strengthening America's classrooms by expanding its program in educational technology and by addressing other key problems identified in the National Commission on Excellence in Education's report, "A Nation at Risk."

Approximately $48.1 million of the fiscal year 1985 budget request would be used to maintain current activities. These include support for: the educational labs and centers; ERIC, the Educational Resources Information Center system; NAEP, the National Assessment of Educational Progress; Center for the Study of Reading; Institute for Research on Teaching; and the National Center for Bilingual Research. Support would also be maintained for other multi-year contracts and grants for research in the areas of effective schools and effective teaching, literacy, mathematics learning, and for the annual field initiated grant program. An additional $1 million would be used to support the congressionally mandated assessment of compensatory education.

A major activity for the Institute during fiscal year 1985 will be the competition for regional laboratories and national research centers. This competition offers a critical opportunity to improve educational research which has not been available since the Institute was created in 1972. The request includes $1.5 million for planning grants and other costs associated with the lab and center competition. With the exception of the promising new Educational Technology Center at Harvard University -- established in cooperation with Children's Television Workshop, Educational Testing Service, local school systems, and others -- all of the current lab and center awards expire in fiscal year 1985.

The fiscal year 1985 budget request would also provide $3.6 million for expanding the Institute's program in educational technology, and for other new activities centered around the major theme of "Strengthening America's Classrooms." In the area of educational technology, attention would be focused on academic achievement, particularly in areas such as reading and writing, and secondary level mathematics and science. NIE-sponsored research in the Los Angeles public schools has firmly established that children using computer-assisted instruction for as little as ten minutes per day can make impressive achievement gains, compared to students who do not use the computer. Industry-sponsored research, such as IBM's current evaluation of its "Writing to Read" program, is also highly encouraging. Together, the public and the private sector have established that computers can be an important element in improving American education. Whether or not they will be used wisely is still an open question, and a very important one. The Secretary, as well as those of us appearing before you today, is firmly convinced that this is a field in which continuing cooperation between the public and the private sector is imperative, if schools are to reap the potential benefits of the technology revolution.

The request would also support activities that respond to findings of the National Commission on Excellence in Education, such as: studies of the recruitment, selection, and training of teachers;

research to identify the qualities and characteristics of the best teachers; analyses of local and State practices that enhance or inhibit building a high quality teacher workforce; and studies to examine how teacher training programs can improve teacher preparation. The Institute would also undertake new work on what makes effective secondary schools, with studies aimed at instructional approaches best suited to adolescent learning, school organizational and management issues, and strengths and weaknesses of college preparatory, general and vocational programs.

In conclusion, let me say that I believe the National Institute of Education and the National Center for Education Statistics can and will make valuable contributions toward strengthening American classrooms and improving education in this Nation.

Thank you Mr. Chairman and Members. My colleagues and I will glad to answer any questions you may have.

Biography of Dr. Donald J. Senese

Position	:	Assistant Secretary Educational Research and Improvement
Birthplace and Date	:	Chicago, Illinois - April 6, 1942
Education	:	B.S., Loyola University of Chicago, 1964 M.A., University of South Carolina, 1966 Ph.D., University of South Carolina, 1970
Experience		
8/81 - Present	:	Assistant Secretary for Educational Research and Improvement, U.S. Department of Education
5/81 - 8/81	:	Consultant, U.S. Department of Education
1976 - 4/1981	:	Senior Research Associate, House Republican Study Committee, U.S. House of Representatives
1973 - 1976	:	Chief Legislative Assistant, Representative Bill Archer of Texas
1973	:	Legislative Assistant and Newsletter Editor, Senator William L. Scott of Virginia
1969 - 1972	:	Associate Professor of History (Radford University; Radford, Virginia)
Additional Experience	:	Member of the General Administration Board of the U.S. Department of Agriculture Graduate School (1975-1980; 1981-) *Elected to the National Board of Directors and to the Executive Committee of the University Professors for Academic Order

* Resigned upon U.S. Senate Confirmation

Selected by the Alexandria City Council to serve on the Alexandria Historical Records Commission (March 1979-1981; Reappointed 1981-1984)

Served on Research Staff for Subcommittee on Human Resources for the 1980 Committee on Resolutions

Served as Government Fellow in program on health issues

Served on Transition Task Force for U.S. Education Department and for the U.S. Department of Health and Human Services for the President-Elect

Publications :

Numerous articles and book reviews in publications such as: American Education; Asia Mail; The Classical Outlook; Commonsense; Family Protection Report; Free Asia Report; The Freeman; History Today; Human Events; ISI Campus Report; The Journal of Social and Political Studies; Modern Age; New Guard; National Review; Policy Review; Private Practice; South Carolina Law Review; The State Factor; Universitas; The University Bookman.

Books

Indexing the Inflationary Impact of Taxes: The Necessary Economic Reform, Washington, D. C.: The Heritage Foundation, 1978.

Modernizing the Chinese Dragon: The Prospective Impact of Western Aid Technology on Mainland China, Washington, D.C.: The Council on American Affairs, 1980.
(This book received a Freedoms Foundation Award from the Freedoms Foundation at Valley Forge, Pennsylvania.)

Ideas Confront Reality: An Analysis of Critical Issues in the Reagan Era (editor), Washington, D.C.: U.S. Department of Agriculture Graduate School Press, 1981.

Asianomics: Challenge and Change in Northeast Asia, Washington, D.C.: The Council on American Affairs, 1982.

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1983 appropriation	1984 President's estimate	1984 appropriation	1985 estimate
National Institute of Education	55,614	48,231	48,231	54,231
National Center for Education Statistics	8,589	8,747	8,747	8,747
Total	64,203	56,978	56,978	62,978

INTRODUCTION OF ASSOCIATES

Dr. SENESE. On my right is Marie Eldridge, the Administrator for the National Center for Education Statistics. On my left is Manuel Justiz, who is Director of the National Institute of Education. And to his left is Sally Christensen from our Department's Budget Office.

Mr. Chairman, members of the committee, we appreciate this opportunity to appear before you to discuss the 1985 budget for educational research and statistics. I would like to submit a copy of my statement for the record and provide only a summary of that testimony.

Support for educational research and statistics is a Federal responsibility and makes a significant contribution to the educational enterprise. For fiscal year 1985 the administation is requesting a total budget of $62,978,000 for educational research and statistics.

This amount would support a continuation of the fiscal year 1984 level of $8,747,000 for the National Center for Education Statistics. It would provide an increase of $6 million over the fiscal year 1984 level for the National Institute of Education for a funding level of $54,231,000.

As the primary Federal agency responsible for education statistics, the National Center for Education Statistics collects, analyzes, and disseminates statistics on the condition of education in the United States, reports on the meaning of those statistics, and provides assistance to State education agencies in improving their statistical systems.

With the 1985 agency request level of $8,747,000 NCES would continue its core program to collect key data at the elementary, secondary, and postsecondary levels. A number of special analyses planned for release in fiscal year 1985 deal with issues raised by the National Commission on Excellence in Education.

These include NCES' most comprehensive report on private schools; estimation of the certification status of the Nation's teaching force; plus shortages by field and the extent to which incentives are being used to promote teaching in critical fields.

At this time I would like to present the Director of the National Institute of Education to summarize NIE's budget. Following his testimony I and my colleagues will be pleased to answer any questions you may have.

Dr. JUSTIZ. Senator, the request on the part of NIE represents a new vision for a turning point in the history of NIE. I think you'll be

pleased to know that the new NIE is concerned with getting information out to the primary users of research, particularly parents, teachers, principals, superintendents, and school board members.

We're concerned with making sure that we're dealing with and addressing pressing educational problems facing our country. We have had, as you know, Senator, a great debate in American education. We're concerned with contributing to improving practice through research.

The key to this is going to be making sure that we're addressing the right questions and getting information out in a way that can be easily understood and used to improve what takes place in the classrooms in America. The NIE budget request is represented by the theme "Strengthening America's Classrooms" which is a symbol of our commitment to bridging research and practice.

There are three major initiatives under that: Improving the use of technology in the schools; improving the recruitment, selection, and training of teachers; and discovering what makes secondary schools effective.

The crosscutting concern will be, Senator, getting information out—what we call now at the Institute getting the word out—to make sure that the information is being used effectively in schools throughout the country.

We appreciate the opportunity, Senator, to share with you our vision for what can be accomplished with your support in fiscal year 1985.

NATIONAL COUNCIL FOR EDUCATIONAL RESEARCH

Senator WEICKER. I understand your policymaking body, the National Council on Educational Research, favors and supports legislation to permit voluntary prayer in public schools and has passed a resolution urging Congress to act favorably on this matter at its March meeting.

Is the committee to assume that NIE feels that it has an appropriate role, quote, "* * * to reestablish Judeo-Christian beliefs as the legitimate moral foundation of American society"?

Dr. JUSTIZ. Senator, the resolution was passed by the council in their strong and deep conviction about school prayer and in support of the President's legislation for school prayer. It is a resolution that represents the council's beliefs. It does not represent a policy of the National Institute of Education.

EDUCATIONAL TECHNOLOGY CENTER

Senator WEICKER. Dr. Justiz, you've aroused controversy in a decision to award a technology center contract to Harvard University rather than to Bank Street College in New York City. As I understand it, the Bank Street proposal was higher ranked by your peer review panel and costs considerably less than the one submitted by Harvard and yet you overruled your peer review panel and your contract staff to give the award to Harvard.

Would you like to go ahead and explain for the record why you felt the Harvard proposal superior?

Dr. JUSTIZ. I would be happy to, Senator.

Senator, there appears to be a misconception as to the role of the Project Review Board. The Project Review Board consists of individuals hired by the Institute to provide advice. The Director, on the other hand, statutorily has a responsibility as the contracting officer to make decisions that are in the interests of the American government.

The Project Review Board worked effectively. It narrowed the field from a number of applications to three technically acceptable and then, through their rankings, they further narrowed it to two institutions.

When I received the recommendation it was clear that the two proposals were close. I took an indepth look at the proposals; I took a very careful look at the comments made by the Project Review Board members; and it was clear to me without a doubt that it was in the interests of the Government to make the award to Harvard University.

That proposal represented not only the most highly qualified and strongest technical proposal, but it also represented the most balanced and comprehensive approach to a very important area in American education.

I feel strongly that that award will make a significant contribution, Senator, to improving the use of technology in the classrooms in America. Based on the report and on the work being done at the center, we have reasons to believe that this will become a flagship center in American education contributing significantly to what we know about effective use of technology in schools.

Senator WEICKER. As I understand it, the Harvard proposal cost $7.6 million while the Bank Street proposal cost $4.4 million. Is that correct?

Dr. JUSTIZ. That's correct, Senator. In fact, the Harvard proposal represented not only a higher quality proposal as well as a more balanced and comprehensive approach, but it's also very much in line with the existing support we provide for centers.

Our average center is funded at about $1.4 million. The Harvard proposal calls for funding at about $1.6 million. It is very much in line with the guidance provided by us in the request for proposal as well as the existing support we provide for centers.

PEER REVIEW PANEL

Senator WEICKER. The article in the Washington Post states that:

> Justiz's decision to overrule his experts—the only time he has since he became the NIE's Director 1 year ago—has been viewed with dismay within NIE and among the 20 Federal sponsored education research facilities.
>
> Bank Street, however, will be fighting an uphill battle. GAO reviewers can overturn Harvard's contract only if they determine that Justiz's decision was arbitrary and capricious.
>
> The contract for the new center, a pet project of Justiz and Education Secretary T. H. Bell, was coveted, in part, because it was the largest contract NIE had awarded in the fiscally tight days of the Reagan administration.

I'm sorry, but I still don't understand your explanation as to why you overruled the peer review panel. There is certainly nothing in the costs that would indicate that the contract went to the right place; and, of course, the article I see in an American Psychological Association publication indicates that there was political pull there.

Dr. JUSTIZ. Senator, if I may—just for the record and for your information——

Senator WEICKER. If you want to know why I'm asking you this, I think it clearly places into question what's going to happen to the rest of the contracts if this is the way this one's going.

Dr. JUSTIZ. Senator, the——

Senator WEICKER. Just 1 minute, please.

Dr. JUSTIZ. Sure.

Senator WEICKER. If you would like to have those students come in here, please do so. They can sit at this end of the table. If they would like to come, why don't you have them all come in.

All right. Go ahead.

Dr. JUSTIZ. Senator, the Project Review Board was never overruled. Their recommendation was forwarded to me. In fact, it was very effective in narrowing the field to, in essence, two institutions.

I have a responsibility to you, Senator, as a Member of Congress to make a decision that is in the interest of the American Government. It was clear to me after looking very, very carefully at the proposals and the comments by the Project Review Board members that it was in the interests of kids in schools in America to have the best and most complete proposal supported, one that has the most promising potential.

Senator WEICKER. Don't you think the Project Review Board had that same criteria in mind when they made their recommendations?

Dr. JUSTIZ. The Project Review Board's recommendation was 5 to 4 to 1. It was a very close recommendation. It was clear that it was not decisive advice being provided.

Senator WEICKER. But it was a majority in favor of the Bank Street project; right?

Dr. JUSTIZ. Senator, this all happened in the context——

Senator WEICKER. Just answer my question.

Dr. JUSTIZ. It was a 5, 4, 1 vote.

Senator WEICKER. Is that a majority?

Dr. JUSTIZ. It's a simple majority.

Senator WEICKER. Well, all right. That's the way we work. It doesn't make any difference whether you win the ball game by one run or ten. That's the way it works.

Now, I want to know what overriding matter occasioned you to overrule the majority in this case. What was the deficiency that was so overriding you overruled the majority?

Dr. JUSTIZ. The Harvard proposal was a much more comprehensive proposal in terms of the scope of work. The presentation in terms of the application of a wide range of technologies was much more in line with the request that we made in the request for proposal.

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The strength of their consortium was much more comprehensive and presented a greater potential for contributing to our knowledge of how technology can improve the teaching of math and science in the schools.

The educational involvement on the part of that consortium was much greater and much more extensive. The schools had been much more deeply involved in the discussions through the developmental stages of the proposal. It was clear the schools were partners with the researchers in this effort.

The organizational management, Senator, was very strong. It was based on existing institutional relationships.

In addition, their dissemination effort was a more complete dissemination effort. It promised to get information out to teachers in the classroom in a much more effective way that, I think, can bridge research and practice. That's been one of my great concerns at the Institute; that reports don't sit around on someone's shelf and gather dust, that they get into the hands of the individuals who are impacting what takes place, the learning that takes place in the classroom. This proposal promised to do that.

Finally, the level of effort was much more in line with what we had indicated we were interested in having and the background of the staff, Senator, was more complete, particularly in the math and science areas.

Senator WEICKER. Well, now, the procurement documents show that on technical merit, alone, the Project Review Board ranked Bank Street's proposal 7.5 points higher than Harvard's. That's on technical merit.

Dr. JUSTIZ. The advice of the Project Review Board, Senator, was very, very helpful. In my judgment, it's in the interest of the Government to have that award——

Senator WEICKER. Now, the interest of the Government is not the criteria. Now, you know, I see this little action here by your council on school prayer and I see you overruling a peer review board. I start feeling we have a little politics getting in here in the National Institute of Education.

I understand politics; but I'll tell you it has no place in education. Education is the only thing that ought to be in education, period.

Are you a philosopher, Dr. Justiz? Are you a politician? Or are you an educator?

Dr. JUSTIZ. Senator, I'm a very strong believer in the peer review process and I have taken very, very strong steps since I came to the Institute about 1½ years ago to insure that we have the strongest peer review possible.

In fact, in preparation for the major competition of laboratories and centers I have asked four members of the educational research community to come to the Institute and work with us in making sure we have the strongest possible peer review process in place.

Individuals like Lee Shulman, president-elect of the American Educational Research Association, Dave Smith of AACTE, Bob Mattson

from CEDAR, and Jim Greeno of the American Psychological Association are providing us advice on ways in which we could insure that we have the strongest possible peer review for the major competition of laboratories and centers.

I have been an advocate and a strong supporter of peer review, Senator, from the very beginning and I come from the research community. I'm deeply committed to that.

NORTHEAST LABORATORY

Senator WEICKER. So the first peer review decision that's made you overrule it. Not much point in having a peer review board if that's what's going to happen.

As you know, the majority of NIE funds support the activities of the 16 regional education laboratories and national research centers which have, over the years, enjoyed the strong support of Congress.

Am I correct that the Northeast has not had the benefit of a full service laboratory for over a decade?

Dr. JUSTIZ. Senator, we have provided support for the Northeast Regional Exchange until we are ready to make a major award for a laboratory as part of the competition. I have proposed to the Northeast Exchange that we increase our support by over 50 percent to about $472,000 annualized and that we support them through November 1985, at which point we expect to have a full-fledged laboratory in operation.

We are strongly committed to a laboratory in the region and to meeting the services of that region.

NATIONAL CENTER FOR EDUCATION STATISTICS

Senator WEICKER. Recent reports by the National Commission on Excellence in Education have highlighted two things: An enormous national interest in the quality of education in the United States, and a general agreement by individuals of widely varying ideological persuasions of the appropriateness of a Federal role in collecting and disseminating findings on the quality of education.

Why, then, is the budget request for the National Center for Education Statistics so small both in comparison to appropriations for the center in previous years and in comparison to the statistical budgets in other Federal agencies such as Agriculture?

Dr. SENESE. Well, Senator, we feel that, even given the level of funding, they will be able to follow up on some of the recommendations within their present programs without any additional expenditures of funds.

For example, some of the surveys that the center is funding include data on teacher incentive plans, information to provide a better understanding of how teachers' time is spent in the classroom, and a complete picture of teacher accreditation.

They have also produced a survey recently on the percent of high school seniors taking the new basics as recommended by the national

commission. Also, they plan to look at various strategies as far as estimating the cost of excellence and detailing the course offerings in high schools.

There are a number of data bases, particularly the high school and beyond study, that are available to provide that information.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record, and I thank you all very much.

Dr. SENESE. Thank you, Senator.

Senator WEICKER. Dr. Senese, if you will bring up your associates for the libraries discussion, we would appreciate it.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

ACCOMPLISHMENTS OF NIE

Question: Dr. Justiz, you have now been at the NIE for over a year and you are the fourth NIE Director in three years. Let me congratulate you for your length of stay. The NIE has been in dire need of some stability. Briefly, what have you accomplished in the year that you have been NIE Director?

Answer: During the past year, the Institute completed a number of projects and laid the groundwork to help improve American education and restore excellence to our nation's classrooms.

The Institute's theme for its work in fiscal year 1985 is "Strengthening America's Classrooms," which is symbolic of our concern and commitment to bring research and practice together.

To help carry out that goal, the following research initiatives have been identified: improving educational software and the use of technology in schools; improving the recruitment, selection and training of teachers; and discovering what makes secondary schools effective.

The following are a few examples of NIE's accomplishments in 1983:

Education Technology Center Established

The Institute established the Educational Technology Center with an award to Harvard University. During the next five years we expect to invest approximately $7 million in this project, which will serve as the Government's major facility for examining ways to improve American education through technology.

The Center will undertake research on how computers, communications satellites, videodiscs and other forms of technology can be applied to educational improvement. More than 300,000 microcomputers are already in schools throughout America. Student knowledge of computers has undoubtedly increased significantly, and this is an important achievement. But so far, the effect on student achievement in other areas has been limited because of poor software and lack of knowledge on how to use computers effectively. The Educational Technology Center will explore ways of improving software so that computers can help students achieve their full potential in the classroom.

Extensive Assistance Provided for Landmark Report

The Institute contributed extensive staff time and resources to the National Commission on Excellence in Education in the preparation of its landmark report "A Nation at Risk".

NIE staff members drafted the recommendations section of "A Nation at Risk"; they wrote the study of high school transcripts upon which the Commission based many of its recommendations; they designed and conducted a survey of schools across the Nation looking for notable programs and successful approaches to specific problems in American education; and they provided expert testimony at regional hearings. The Institute also responded to almost 400

inquiries from the press, the public and members of Congress concerning the study.

Detailed Preparations Made For Lab and Center Competition

Extensive preparations were made during the past year for what will be the largest discretionary grant and contract competition ever conducted by the U.S. Department of Education. The Institute will carry out a Congressional mandate by competing awards for its educational laboratories and research and development centers throughout the country.

Eleven public hearings were held across the U.S. last June to gather opinion from experts and lay people about how the competition should be conducted in the fairest, most effective manner possible. The Institute also organized study groups of more than 100 education leaders, parents and representatives from the private sector that met during the fall to develop priorities for research projects at the facilities. Regulations governing the competition were written, reviewed, and published in March. Finally, Institute staff have spent hundreds of hours reviewing the Government's experience with these institutions and analyzing public testimony to identify and resolve the many issues that must be decided in order to design and conduct the competitive process.

We believe that the extensive preparations made during 1983 and early 1984 will ensure that this competition will serve American education well. We have laid the groundwork for a lab and center system that will support NIE's Congressional mandate and contribute to the improvement of American education through the conduct of first-class research and development for years to come.

Research on How to Operate Schools With Fewer Dollars

In these times of lean budgets, American schools cannot operate at anything less than peak efficiency. In cooperation with the Follow Through program, NIE is supporting a research project to determine how school administrators can roll up their sleeves, tighten their belts and manage schools more effectively with fewer dollars.

The research is being conducted at elementary schools in Detroit, Oakland, Calif., Napa, Calif., and Cotopaxi, Colo. The project's goal is to raise student achievement from kindergarten through fourth grade using only limited funding.

The methodology is based on a prior six-year study funded by NIE called "Time on Task." It found that learning could be increased by making more efficient use of class time.

All kinds of interruptions occur in the learning process -- taking attendance, checking homework and so forth. The NIE study recommended reducing classroom interruptions; providing training for teachers on ways to make more efficient uses of class time; allowing students to spend more time on tasks at which they were successful; limiting class size to 20 students or less; and increasing the use of teacher aides, parent volunteers and tutors, especially in lower grades.

Success in implementing these techniques in the four target school districts will provide an example for many, many other school districts across the country.

Handbook Published On Improved Methods Of Selecting Principals

After several months' work with researchers and school administrators, the Institute published a booklet entitled "Selecting American School Principals: A Sourcebook for Educators." The principal is viewed increasingly as a key to effective schooling. Indeed, as the booklet note, the need for good principals will dramatically increase in the next 20 years because the majority of the nation's principals are approaching retirement age.

This 65-page publication offers numerous suggestions on how to recruit and retain quality school principals. Among the "essential principal selection elements" are that: an applicant pool should be generated and updated continously; access to the pool should be clearly defined; the size of the pool should be kept large; clear incentives must be established to attract quality applicants; efforts to attract women and racial minority candidates should be made; and, that recruiting should be performed outside the school district, if necessary.

Conference on Math/Science Teacher Shortage

The shortage of math and science teachers was the topic of a major conference in 1983 sponsored by the Institute. Education experts from throughout the country came to Washington to participate in the program.

Three major recommendations emerged from the conference:

-- Increase public support for classroom teachers -- This involves raising salaries, improving the status of teachers, providing better working conditions, and developing a more diversified career ladder.

-- Reform math and science curricula -- Considering that many students develop a dislike for science and mathematics in elementary school, merely increasing the number of courses students must take in those areas will not solve the problem. Curriculum reform was recommended for this reason and others.

-- Support research on classroom learning and instruction -- One focus of additional research efforts should be to identify methods of teaching math and science which have been particularly successful.

National Assessment Of Educational Progress

Following an open competition, NIE awarded a five year contract in 1983 to the Educational Testing Service of Princeton, N.J., to conduct the National Assessment. NAEP implements a congressional mandate by evaluating the educational progress of 9, 13, and 17-year-olds; in addition, NAEP will soon be collecting data for 21- to 25-year-olds, especially in the area of literacy. As a result of the competition, NAEP is being redirected to make better use of its national sample, to be more responsive to policy issues, and

to make the data from its assessments more readily available to users in schools and policy positions.

NIE BUDGET INCREASE

Question: You are asking for a $6 million increase. If you receive it, how will you spend it?

Answer: The National Institute of Education would use the additional funds to focus on issues that respond to the findings of the National Commision on Excellence in Education. The NIE program of research will be designed to assist teachers, principals, school board members, students, and the public by strengthening America's classrooms.

The $6 million increase would provide $3.6 million for new initiatives in fiscal year 1985. These are:

o Improving educational software and the use of technology in schools

In order for the promise of computers to be realized, we will support research designed to facilitate the development of high quality and more advanced instructional software by the private sector. NIE will also support research focused on resolving other computer-related problems on such issues as instructional management, classroom organization and resource allocation, and district and State standards for instructional content.

o Improving the recruitment, selection and training of teachers

Excellence in education requires that the best candidates be drawn to teaching, remain in the profession, and continue to develop their knowledge and skills. In fiscal year 1985, NIE will provide, through a competitive process, support to challenge schools of education to integrate research-based information into their teacher education programs.

o Discovering what makes secondary schools effective

NIE's program of work on effective secondary schooling is designed to make the most of emerging findings regarding secondary schooling: by getting them into the hands of the people who hold the keys to school improvement in the areas where knowledge is solid, and by providing for carefully designed further research where knowledge is weak.

o Excellence in postsecondary education

Last year, NIE created a Study Group on Excellence in Post-secondary Education to mine the rich store of data on postsecondary education which the National Commission on Excellence in Education accumulated, but did not analyze or include in its report, and to recommend future research directions to the Institute. A portion of the proposed increase would be used to begin to examine key research issues in this field.

The requested increase would also provide up to $1 million to support the congressionally mandated assessment of Chapter 1 in

preparation for the reauthorization of ECIA. Major topics for the assessment include: describing and assessing the changes in compensatory education under Chapter 1 as compared to Title I; examining the effects of those changes on the implementation of compensatory education; and determining the effectiveness of Chapter 1 in meeting its goals.

In addition, the increase would provide $1.5 million for planning grants and review costs associated with the educational laboratories and research centers competition.

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

Question: I understand your policymaking body, the National Council on Educational Research, favors and supports legislation to permit voluntary prayer in public schools and that it passed a resolution urging Congress to act affirmatively on this matter at its March meeting. Was a copy of this resolution sent to each member of the Senate?

Answer: We have been advised by the Council that the resolution was sent to each member of Congress.

NEREX AND THE SOUTHEASTERN REGIONAL COUNCIL

Question: The FY '84 report language directed the NIE to provide funding for the Southeastern Regional Council for Educational Improvement and the Northeast Regional Exchange to a level comparable to support for Labs and centers. Your budget justification indicated that you are negotiating with both these organizations to extend the length of the term of the existing grants and to provide additional funds at a level within NIE's ability to respond. What is the status of these negotiations? Will you be able to provide any additional support in FY'84 for these organizations?

Answer: NEREX and the Southeastern Regional Council are funded by NIE as interim alternatives to educational laboratories in their respective regions. In November 1985, when new laboratory awards become effective following the competition, all regions of the country will be served by laboratories.

Under its original agreement with NIE, the Southeastern Regional Council for Educational Improvement was scheduled for a declining funding formula with $225,000 for 1984 and $200,000 for 1985. However, based on an additional $600,000 NIE award (made September 1983 with fiscal year 1983 funds) the Council is now running at an annual rate of $684,000, which is a 200 percent increase over the planned amount. Because of its current budgetary constraints, NIE is unable to augment these funds in fiscal year 1984, but the Institute has proposed to continue the $684,000 annual rate for fiscal year 1985, and this level is now under negotiation with the Council.

Funding for the Northeast Regional Exchange (NEREX) was originally scheduled to end this past January. However, NIE has proposed to extend NEREX funding until November 1985, at which time the competition for a Northeast Regional Laboratory will be completed.

In addition to the 22 month extension, NIE has also proposed to increase the NEREX annual funding rate from $315,000 to $472,000 (by adding $551,000 of fiscal year 1985 funding to $315,000 from fiscal year 1984). This would produce a 50 percent increase over the prior NEREX annual funding rate, and since the NEREX grant was originally scheduled to end this past January, it represents a substantial commitment and redirection of funds from fiscal years 1984 and 1985 to maintain NEREX services in the Northeast.

MIDWEST LABORATORY COMPETITION

Question: The Congress has also given NIE the authority to conduct a competition in FY'84 to replace the Midwestern Regional Educational Laboratory. Your justification indicates that this award will be made during the summer of 1984. Is this competition proceeding as planned?

Answer: The Midwestern Regional Educational Laboratory competition is proceeding as planned. The reports from the nine planning projects were received this past January. We plan to release the grants announcement for the competition in late April. Proposals will be due at the end of June. We will review the proposals during July and August, and we plan to announce the award for the new laboratory during the first week of September 1984.

HARVARD UNIVERSITY AWARD FOR SCHOOL TECHNOLOGY CENTER

Question: Was Secretary Bell aware of your decision to award a Technology Center contract to Harvard University even though the Bank Street proposal was higher ranked by your peer review panel and cost considerably less than the one submitted by Harvard?

Answer: I advised the Secretary of my decision to award the contract to Harvard University.

Question: How do we know the same thing won't happen when you hold the much larger competition for the 16 centers and laboratories next year?

Answer: I am a strong believer in the peer review process and I have taken steps over the past year and a half to ensure that we have the most rigorous peer review possible. Recently, in preparation for the major competition of the laboratories and centers, I have established a task force of four highly respected, nationally known education professionals to review the procurement practices of NIH, NSF, other Federal agencies, as well as NIE, and to recommend a procedure for NIE that would yield consistent, fair, well-considered recommendations from peer review boards. We want the strongest possible peer review process at the Institute.

In addition, we have gone to great lengths to produce a special set of regulations to guide the conduct of the competitions. These were recently published in the Federal Register as a Notice of Proposed Rulemaking. Following a 30-day period for public comment, final rules, revised as appropriate, will be published to serve as public documentation of the procedures the Institute will follow in conducting the competition.

In rare instances, it may be incumbent upon a director of NIE to consider the advice rendered by a peer review board and nonetheless make an award decision that differs from the recommendation. Clearly, when a peer review board is divided amongst itself, any decision a director might make would be contrary to some advice from the board. For example, if no majority consensus was formed on the board, but a mere plurality preferred one proposal over another (as with a 5-4-1 split among ten board members for three proposals), a director's decision is mathematically assured of contradicting at least half the board. Ideally, the director could return the decision to the board, perhaps with further guidance, in search of a more definitive recommendation; however, if time limitations make the reconvening of the peer review board impossible, the director would have the responsibility of choosing between closely rated proposals.

Situations in which a director must make a choice without the full assistance of peer review can be avoided with adequate planning and adequate time. Accordingly, the laboratory and center competitions have been carefully scheduled to allow more extensive peer review activity prior to a final decision, if necessary.

SOLE-SOURCE AWARDS

Question: You have said a lot about the upcoming lab and center competition. Do you require a competition for every contract or grant you give out?

Answer: As a general policy, we at the Institute are committed to open competition to create an opportunity for new offerors and to encourage the most qualified proposals possible to be considered for awards. There are exceptional circumstances, however, when the requirements of the Government or the unique capabilities of one organization or individual preclude meaningful competition, and in those cases a non-competitive award is made.

Question: Would you provide for the subcommittee a list of all the sole source or non-competitive awards NIE has given since you have been Director?

Answer: Since I have been Director, the Institute has made approximately 200 awards and eight have been sole source, which is only four percent of the total.

The Institute has a formal procedure that must be adhered to in those rare circumstances when a non-competitive procurement is recommended. In such cases the recommendation must be in writing and fully justified with final approval required from the non-competitive review board for procurements in excess of $100,000.

Following is the list of the non-competitive awards made to date since I have been Director of the Institute:

	Contract/Grant Number	Recipient
1.	400830059	National Academy of Sciences 2101 Constitution Avenue Washington, D.C. 20418
2.	NIEG820017	Northeast Regional Exchange 101 Mill Road Chelmsford, Massachusetts 01824
3.	400830027	National Conference of State Legislatures 444 North Capitol St. N.W. Washington, D.C. 20001
4.	NIEG840013	Educational Testing Service Princeton, New Jersey
5.	NIEG830014	Sequoia Institute 1822 21st. Street Suite 200 Sacramento, California 95814
6.	NIEP830038	Thomas Jefferson Research Center 1143 North Lake Avenue Pasadena, California 91104
7.	400830057	The National Academy of Education University of Pittsburgh Pittsburgh, Pennsylvania
8.	NIEG820017	Southeastern Regional Council for Educational Improvement P.O. Box 12746 200 Park Research Triangle Park, North Carolina 27709

MAINTENANCE OF THE EDUCATIONAL INFRASTRUCTURE

Question: There has been some interest in the Congress and elsewhere about the problem of deferred maintenance and obsolete equipment in our Nation's institutions, part of the so-called "infrastructure." Does the National Center for Education Statistics collect any data related to this subject? Do you have any plans to do so?

Answer: At the present time, NCES does not collect data on deferred maintenance or obsolete equipment in educational institutions. NCES has no plans at present to collect such data.

Question: What kind of expenses would be involved in making a statistical assessment that would provide some national estimates concerning this problem?

Answer: We estimate that it would cost $250,000 to $300,000 to conduct a survey to provide national estimates on the extent of the problem in colleges and universities. To expand this effort to the elementary/secondary sector would more than double the cost.

COMPARING THE AMERICAN EDUCATION SYSTEM TO OTHER SYSTEMS

Question: There has recently been heightened attention to the quality of American education in comparison to that offered abroad--especially in comparison to Japan, the Soviet Union, or West European nations. Why is there no National Center for Education Statistics initiative to collect, analyze, or disseminate information on the comparative performance of the American and other education systems?

Answer: The National Commission on Excellence in Education recognized the need for international data comparisons in its report A Nation at Risk. The report states, "We live among determined, well-educated, and strongly motivated competitors. We compete with them for international standing and markets, not only with products but also with the ideas of our laboratories and neighborhood workshops." Moreover, the National Center for Education Statistics (NCES) is mandated to "review and report on educational activities in foreign countries." We are responding to this need and our mandate to the extent that current resources and availability of comparable international data permit.

The conditions for making international comparisons of education systems seem to be improving. In addition to the increased interest in making international comparisons, there is a growing recognition of what is required in making accurate comparisons possible. Technical requirements include: comparable samples, survey procedures, tests and other instruments across countries and languages, plus adequate response rates in each country. The results of so-called international studies that do not address these requirements and do not discuss qualitative differences among the education systems can be grossly misleading and harmful. Obviously, the standards for conducting international studies cannot be developed by the United States unilaterally. We need to work with other countries.

We have become increasingly active in this area in response to the improved conditions. In an effort to obtain, analyze, and disseminate information about the conditions of education in other countries, NCES has contracted with the University of Illinois for the analysis of the Second International Mathematics Study, which was organized by the International Association for the Evaluation of Educational Achievement (IEA) and carried out in 1980-81. Reports of this study are scheduled for 1985, when approval of the final data sets by the participating countries is expected.

The study will produce a number of analyses of student achievement for 8th and 12th grade mathematics students, comparing United States with Japan and European countries. Other topics include comparisons of gender differences in student performance, mathe-

matics curricula, teacher and student attitudes toward mathematics and school, ability grouping, enrollment in advanced courses, and characteristics of talented students.

The IEA has also organized the Second International Science Study which is currently being conducted throughout the world. Unfortunately, the U.S. survey (not conducted by the Education Department) was not administered effectively and suffers from a low response rate. NCES is examining various alternatives to provide valid data which can be compared with data from other countries on how well U.S. students perform in science relative to students in other developed nations.

The Center is also compiling a collection of international statistics from existing studies conducted in other developed countries that might be compared with existing U.S. data. A recent exchange of data with Japan, made possible through a bilateral agreement, produced an analysis of school-related attitudes and behavior of high school seniors in the two countries. Continued exchanges could produce detailed comparisons of the relationship between secondary school experiences and college achievement.

STATUS OF THE VOCATIONAL EDUCATION DATA SYSTEM

Question: What is the status of the Vocational Education Data System at the National Center for Education Statistics?

Answer: NCES will not conduct a 1983-84 VEDS data collection. This action results from our inability to secure OMB clearance for the survey instruments, because OMB found VEDS data quality to be unacceptable. NCES believes the causes of the problems are of a systematic nature and do not lend themselves to correction without a major systems redesign.

In response to this situation, NCES has set in motion a number of separate but related activities:

- o definitive identification of providers of vocational education;
- o redesign of the vocational education data collections; and
- o development of interim national estimates of key vocational education statistics.

A brief description of each of these activities follows. These represent current plans for strengthening vocational education data collection, and are subject to modification resulting from pending legislative action on reauthorization of the Vocational Education Act.

Definitive Identification of Providers of Vocational Education

In early September, States were asked to list the providers of vocational education which they had included in preparing reports for the most recent three VEDS submissions, together with the number of completers for each. The mailout is an attempt not only to determine the degree to which shifting institutional universes may have contributed to the variability of reported State totals but also a method for identifying the State Plan universe in each of the States.

Additionally, a special "postcard survey" questionnaire will be mailed to all secondary and postsecondary educational institutions and agencies on NCES's various universe lists. For example, the mailing will include local education agencies, higher educational instititions, both accredited and non-accredited, non-collegiate postsecondary institutions, etc. A prime purpose is to identify that subset of institutions which offer occupationally specific vocational training programs.

Redesign of the Vocational Education Data Collection

NCES plans to restructure its vocational education data collections at both secondary and postsecondary levels. The new, integrated system of surveys will be designed to provide a comprehensive picture of vocational education in the U.S. The new system will include, but not be limited to, the "State Plan" providers of vocational education. All providers, not just VEA recipients, will be covered.

Three elements in the restructuring are: (1) replacement of the postsecondary VEDS components with components from the Integrated Postsecondary Education Data System (IPEDS) which is currently under development; (2) restructuring the secondary level data system, as needed; (3) development of student follow-up surveys to assess placement rates and labor market status of completers of occupational specific programs.

The redesigned system should provide basic data on: vocational enrollments, completions, staff, expenditures, and follow-up; State level estimates of enrollment, completion, and expenditures; national estimates of employment status for occupationally-specific participants (completer follow-up) on a three- to five-year cycle.

Development of Interim National Estimates of Key Vocational Education Statistics

The redesign of a major data collection system is a lengthy process. NCES' most optimistic estimate for implementing a new vocational education data system projects data collection to begin in October 1985 with data and analysis available in 1986. To avoid a two year hiatus in vocational education data, NCES is proposing to develop national estimates of key vocational education statistics from sources other than VEDS during the interim period (school years 1983-84 and 1984-85).

Sources to be examined and - if appropriate - used as bases for estimates include, but are not limited to: NCES' national surveys such as the Higher Education General Information Survey, the Noncollegiate Postsecondary Survey, and its longitudinal studies of the high school classes of 1972, 1980, and 1982; plus surveys conducted by other agencies such as the Census' Current Population Survey, NIE's National Assessment of Educational progress, and the Labor Department's Longitudinal Study of Labor Market Experience.

Question: When will the next comprehensive publication of these data be available?

Answer: There are no plans to produce a comprehensive publication utilizing the presently available VEDS data because of difficulties in adequately interpreting the data. The next comprehensive publication will reflect the data obtained from the redesign effort after the data have been adequately validated. At this time we cannot provide an exact time frame for the release of publications.

VOCATIONAL STUDENTS WITH SPECIAL NEEDS

Question: Last year you indicated that you had suspended collection of vocational information about students with special needs, such as the handicapped and disadvantaged. Is this collection still suspended, or have you changed your mind about its importance? If so, why? Is there some major difficulty related to collecting these data?

Answer: NCES originally suspended these data because of serious problems with data quality. In 1979-80 and again in 1980-81, VEDS did request information on students with special needs. After careful review of the quality of these data, the Department concluded that it would unduly burden States to request information that is frequently inaccurate as well as difficult and very costly to obtain. Many State vocational educators -- who assembly and submit VEDS data to NCES -- do not have access to information on students' handicapping conditions, language proficiencies, or economic or educational disadvantages. Moreover, these characteristics are often difficult to define and identify unambiguously even at the school or classroom level.

Recognizing the interest in and importance of these data, the final clearance package for the 1983-84 VEDS submitted to OMB by NCES did incorporate data elements relating to handicapped and disadvantaged students. These data were proposed for reinstatement in response to Congressional concerns and requests.

OMB's decision to disapprove the 1983-84 VEDS means, of course, that there can be no VEDS data concerning students with special needs, such as the handicapped and disadvantaged.

Questions Submitted by Senator William Proxmire

NIE STAFFING

Senator Proxmire: Dr. Justiz, in most instances 89 percent of your budget request would be passed through to maintain activities such as the regional laboratories and national research centers. Why do you need so many staff? I understand you presently have 227 personnel onboard and plan to reach your ceiling of 242 next year. Although NIE's salaries and expenses are not paid out of the program budget, which we're examining this morning, I'm curious why you have such a large administrative requirement?

Answer: We are not hiring staff simply to fill vacancies to reach NIE's authorized ceiling of 248 FTE. The NIE staff has been reduced over 44 percent from its high point of 441 positions in 1977 to the current ceiling of 248 FTE for fiscal year 1984. This

44 percent reduction in staff was accompanied by only a 22 percent reduction in budget for the same period.

We must emphasize that NIE is only hiring those staff needed to fill critical vacancies that were created by the departure of career employees and the expiration of the terms of excepted service employees. NIE has been judicious in hiring replacements for those personnel. In order to avoid employing unnecessary staff, the Institute has consolidated certain functions and has not filled vacancies until the technical expertise and services were needed. This practice has resulted in an annual FTE savings for the Institute this year of approximately 5 percent. We expect that the FTE utilization for the National Institute of Education in fiscal year 1984 will be less than 235, well below their ceiling of 248.

Because of the importance of educational research and development to the current reforms taking place in State and local education agencies, because of the great range of issues encompassed, and due to the complexity of administering a series of cooperative programs (in contrast to a formula or entitlement grant), we believe our staffing plans are consistent with our needs. Forty percent of NIE's program staff is hired under the limited term statutory excepted service appointing authority. As you know, the rest of the Department relies almost exclusively on career civil servants to carry out its work. In order to maintain a workforce at the National Institute of Education that possesses the appropriate technical expertise, it is often necessary to hire new people when the terms of their predecessors expire.

While it is true that a large percentage of NIE's budget is continuation costs, monitoring activities (for some 286 active projects) and administration of incremental awards require a significant amount of staff time. A notable example is the case of the current labs and centers. A large number of NIE staff are deeply involved in working with these institutions to develop an R&D agenda for fiscal year 1985; this is a statutory responsibility for the Institute, responding to the mandate of GEPA 405(f) that the Director "determines that the proposed activities [of the labs and centers] will be consistent with the education research and development program and dissemination activities which are being conducted by the Institute."

NIE is also engaged in the development and conduct of the major competition for lab and center activities, requiring extensive staff time. The process has involved eleven public meetings, a large volume of public comment, the convening of five outside panels, and a host of other important, but time-consuming, details.

The Institute played a major role in providing all of the staff resources to support the work of Commission on Excellence in Education. The staff continue to monitor excellence initiatives responding to inquiries from across the Nation, and offer technical assistance to many State and local education agencies on a wide range of issues. Inside the Department of Education, the Institute also provides assistance, including formal involvement in bilingual research, the Follow Through program, evaluation of Chapter 1 and Chapter 2, as well as informal ties to a multitude of other programs.

The vast majority of the research, development and dissemination activities supported by the Institute is externally funded. Nonetheless, NIE staff make important contributions in their own right, especially in the areas of synthesis of R&D findings and dissemination of results.

The new initiatives planned by the Institute for fiscal year 1985 in the areas of technology; improving the recruitment, selection and training of teachers; and discovering what makes secondary schools effective will require additional work on the part of the NIE staff.

In addition, NIE's Administration, Management and Budget Service now provides support services (budget, financial management, and administrative services) to all of the components of the Office of Educational Research and Improvement (OERI). These responsibilities were added to NIE without increasing the Institute's ceiling and resulted in an OERI FTE savings of 12.

Since January 1981, the total staff of the Department of Education has been reduced by approximately one-third. We believe our record of reducing unnecessary staff and improving efficiency is outstanding. The proposed staff level for NIE reflects our carefully considered determination of the numbers that are required to maintain a first-rate National Institute of Education at a time when the national consensus on the importance of improving education and increasing research activities presents us with opportunities for reform that have not been seen in a quarter-century or more.

NEW ACTIVITIES AT NIE

Senator Proxmire: Up to $1 million of the $4.6 million proposed for new activities will support the Congressionally mandated assessment of compensatory education. How do you plan to spend the remaining balance of $3.6 million? What I'm looking for, if it's available, is a breakout of the Institute's new projects. For example, the justification reports that an analysis of college students' transcripts is planned next year, in conjunction with the National Center for Education Statistics. How much do you plan to spend on this?

Answer: NIE would use these funds to conduct research focussed upon the most critical problems in American education. The Institute has identified three priority areas: (1) improving software and the use of technology in the schools; (2) teacher recruitment, selection, and training; and (3) learning what makes secondary schools effective. In addition, a small initiative to promote excellence in postsecondary education is being developed. Each of these areas is discussed below.

Improving Educational Software and the Use of Technology in the Schools

Our nation's schools are rushing headlong to procure computers for their classrooms. More than 300,000 computers are already in place, and the number appears to be tripling every eighteen months. Further, NIE's five-year study in the Los Angeles public schools has firmly established that students using computer-assisted

instruction for as little as ten minutes per day can make impressive learning gains compared to children who do not use a computer. To date, however, the effects of computers to improve children's learning (aside from computer literacy) have been minimal. One of the most significant barriers to the effective use of computers in schools is the lack of high-quality instructional materials that can produce learning gains.

In an effort to remedy this problem, the Institute would support research to create new, exemplary and effective ways that computers and other technologies can be used in education. Included would be support of research to clarify how the unique capabilities of information processing technologies can be used to:

1) foster new and more powerful approaches to teaching and learning in math, science, reading and writing;

2) improve the quality and availability of software evaluation information;

3) provide new tools for classroom teachers to enable them to more quickly accomplish instructional grading, recording, analysis, and reporting tasks.

In addition, the Institute would initiate studies of the successes and the problems experienced by the schools in using technology. Planning guides based on this research would be developed to help schools use computers effectively.

Teacher Recruitment, Selection, and Training

One of the major conditions that has inhibited attempts to improve preservice teacher education programs and personnel has been teacher educators' lack of awareness of relevant research results and how to use them. Despite a significant accumulation of findings in the areas of teacher effectiveness, school effectiveness, and the ways in which individuals change and improve, little of this has influenced the content or process of teacher education.

NIE conducted a small, exploratory study last year to implement research-based improvement of preservice programs in ten volunteer teacher education institutions. The activities proposed to begin in fiscal year 1985 build upon this effort with more institutions and a multi-year timetable. NIE funds would be used to assist the teacher education institutions in their planning, and to document and analyze results. At the conclusion of this project, not only would a large sample of teacher preparation programs have been revised; more significantly, improvement "packages" could be produced based on their experiences that would aid other institutions across the country.

Effective Secondary Schools

Over the past decade a great deal of research has been focused on problems at the elementary school level, and much has been learned, particularly in the area of what makes schools effective. We believe these results have contributed to improved achievement (as documented by NAEP) at this age level.

At the secondary level, however, many questions remain unanswered. The current year has brought a spate of reports critical of the high school for the content and delivery of instruction, for a structure and management that impedes good teaching, and for failing to engage student energies. Schools throughout the nation are struggling to improve in these areas.

NIE's fiscal year 1985 program of work on effective schools would build on current efforts at five of our national research centers to collect information from a national sample of public and private secondary schools about school management and the condition of teaching. Joining information from this study to the findings of a number of recently completed and concurrent projects will give us a considerable body of knowledge to build from in fiscal year 1985.

We plan to organize our results according to problems highlighted in recent national reports (e.g. curriculum, the impact of structure and management on school effectiveness). The Institute will then make use of the findings by disseminating them to the practitioners and policymakers who will use them.

Excellence in Postsecondary Education

NIE has been working collaboratively with the Department's Office of Postsecondary Education and the Office of Planning, Budget, and Evaluation to develop a joint agenda for research on excellence in postsecondary education. In addition, last year NIE created a Study Group on Excellence in Postsecondary Education to mine the rich store of data on postsecondary education the National Commission on Excellence in Education accumulated, but did not analyze or include in its report, and to recommend future research directions to the Institute.

NIE is planning a small research initiative for fiscal year 1985 to begin to examine the issues identified by these two projects. The study of college student transcripts is one example, and would be analogous to the study of high school transcripts NIE did for the National Commission on Excellence in Education (and which formed the basis for many of the Commission's recommendations). We expect to identify additional funds from cooperating units that will make possible a larger overall commitment than if all funds came from NIE.

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

Senator Proxmire: The Institute receives policy guidance from the National Council on Educational Research which comes out of your salaries and expenses account. In fiscal 1983, the Council's budget was approximately $200,000. What is its current budget and how much is estimated next year?

Answer: The fiscal year 1983 salaries and expenses costs for the Council and its support staff was $136,000. The current salaries and expenses budget level for fiscal year 1984 is $331,000, of which $255,000 will support the salaries and benefits of the fifteen Council Members and approximately seven support staff. An additional $49,000 will support estimated travel costs and $27,000 is for

other support costs such as printing and supplies. The fiscal year 1985 salaries and expenses request is $324,000.

Senator Proxmire: Last year, the Council had a staff of 4 in addition to the 15 Council members. What is your present staffing level and what are the Council's requirements next year?

Answer: The NCER has five full time employees on board: an Executive Director, Deputy Director, two NCER Associates, and a secretary. There are also two consultants. The staffing requirements for next fiscal year will remain the same.

QUESTIONS SUBMITTED BY SENATORS ALFONSE M. D'AMATO AND PATRICK J. LEAHY

NORTHEAST REGIONAL EXCHANGE

Question: Until what date have you extended the existing regional laboratories and the national center contracts?

Answer: Using fiscal year 1985 funds, the existing regional educational laboratories and national centers will be extended to November 30, 1985.

Question: It is my understanding that the regional laboratories received between 20 cents and $1.50 per child. You have given the Northeast an increase from 5 cents to slightly more than 7 cents per child. Do you consider this comparable?

Answer: The funding level is not comparable; however, it is a substantial increase under NIE's current budgetary constraints, and it is the largest increase possible under the Institute's current appropriation. NEREX is not a complete regional laboratory, but is being funded to provide interim services until the competition for a new laboratory in the Northeast is complete.

Question: The seven (7) Commissioners for Education in the Northeast States have told me it will take at least $2 million per year - not the current $472,500 - for NEREX to deliver comparable regional services to the children of this region. What do other regional laboratories receive?

Answer: Funding for regional laboratories ranges from $800,000 a year to $2.9 million a year, with the average laboratory receiving $1.6 million per year. Following the competition, all regions of the Nation will be served by laboratories. Currently, NEREX is providing interim services to the Northeast.

Question: Is it true that you have approximately $15 million budgeted for existing regional laboratories and my region gets no money for a regional laboratory?

Answer: The Northeast Regional Exchange (NEREX) was created as an alternative to a laboratory for the Northeast by the Commis-

sioners of Education in the seven Northeastern states. NEREX was intended to serve in this capacity until a competition could be held to establish a new laboratory for the region. The funding level for NEREX is based on a "lean-brokering model" that was proposed by the Commissioners as an alternative to a full scale laboratory.

Question: In fact, is it also true that the seven (7) Northeast states, with 13% of school age population receive less than 7% of NIE funds over the past few years while some individual states have received at least this much and as high as 17%?

For example, the Northeast states have 13% of school age population in the country. In FY 83 they received 6.8% of NIE funds. California has 11% of the school age population and received 16.3%. Colorado with 1% of the school age population received 8.4% of NIE funds, and Pennsylvania with 4.5% received 9% of NIE funds.

Answer: In fiscal year 1983 NIE awarded the Educational Technology Center contract to Harvard University. This award, at a five year average annual rate of $1.6 million is the largest award NIE made in fiscal year 1983, and indeed it is the largest award NIE has made in recent years. The ability of any State or region to increase its share of NIE funds is based on the opportunities that the individuals and organizations in those States or regions have to compete for NIE funding. In recent years NIE's ability to hold open competitions has been severly constrained by budget reductions and appropriations set asides. We believe that the upcoming laboratory and center competition will provide a significant opportunity for each State and region to increase its share of NIE funding through fair and open competition with other bidders.

Question: Is there any possibility that the needs of the seven (7) Northeast states and the directive this committee gave you regarding comparability will not be fulfilled by FY 85 funds?

Answer: The needs of the Northeast States for a full-scale laboratory will be satisfied by the completion of the laboratory competition during fiscal year 1985. In addition, NEREX funding will be maintained at $472,000 (a 50 percent increase over current levels) until November 30, 1985 (a 22 month extension beyond their original end date of January 1984).

Question Submitted by Senator Patrick J. Leahy

Question: In the fall of 1983 this committee directed you to provide funding comparable to a regional laboratory for the Northeast Regional Exchange (NEREX) until a nation wide competition should take place. What have you done in response to this directive?

Answer: NIE has provided NEREX with a 50 percent increase, raising their annual funding rate from $315,000 to $472,000. NEREX funding was originally scheduled to end this past January (January 1984), however, in addition to the 50 percent funding increase, NIE has also proposed to extend NEREX funding by 22 months, until November 30, 1985, at which time the competition for a new laboratory in the Northeast should be complete.

LIBRARIES

STATEMENT OF DR. DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:

MALCOLM D. DAVIS, ACTING DIRECTOR, CENTER FOR LIBRARIES AND EDUCATION IMPROVEMENT

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENT

Dr. SENESE. It is a pleasure to appear before members of the committee. We appreciate this opportunity to discuss the 1985 budget for the libraries account.

I'm submitting a copy of my testimony for the record and would like to summarize that testimony for the committee.

[The statement follows:]

STATEMENT OF DR. DONALD J. SENESE

We appreciate this opportunity to appear before you to discuss the 1985 budget for the libraries account.

GENERAL REMARKS

For fiscal 1985, the administration is not requesting any funds for library programs. This action reflects our recognition that State and local governments are in a better position to assume responsibility for basic library services and that other sources of funds can be made available to support other efforts.

We realize the importance of maintaining the quality of library services throughout the Nation; however, during the past 25 years, the Federal Government has provided $2 billion for public, college, research, and school libraries as well as funds for library education, library research and demonstration, and interlibrary cooperation. In our effort to reduce overall Federal funding, we believe that elimination of Federal library programs can be justified.

FISCAL YEAR 1985 BUDGET REQUEST

Funds are not being requested for public library services (title I of the Library Services and Construction Act) or interlibrary cooperation (title III of LSCA).

The basic public library services program has fulfilled its purpose of extending access to the services of public libraries to all segments of the Nation's population, including targeted populations. The program was initially created to provide seed money to States for the unserved rural population and was later expanded to include various target groups including the disadvantaged, limited English proficient, elderly, handicapped, and State institutionalized persons. Forty-three States now have their own programs of State aid to public libraries.

The interlibrary cooperation program has also met its goal of providing seed money to initiate interlibrary networks, involving two or more types of libraries at local, regional, State, or interstate levels. Nearly $95 million in Federal funds has been expended since 1967 for projects linking libraries through telecommunication systems to data bases, resource sharing projects not linked to automation, and training library personnel to handle resource sharing and the technological advances essential to more complex networking. At least 24 States provide State aid for interlibrary cooperation.

We are not requesting funds for the discretionary grant library programs authorized by title II of the Higher Education Act. The college library resources program (title II–A) was terminated at the end of fiscal year 1983. The small grants made under this program were insignificant in the budgets of most college libraries.

The library career training and library research and demonstrations programs (title II–B) are both proposed for termination. The critical shortage of librarians experienced prior to 1980 no longer exists. Other sources of funding from the Department of Education and other Federal agencies are available for research and demonstration projects.

Private sources of funds are available to replace funding now available under the research libraries program (title II–C). More specialized support is also available from other Federal agencies such as the National Endowment for the Humanities.

CONCLUSION

In conclusion, we believe that library services are vital to learning and to scholarly research. The programs in this account have made valuable contributions over the past 25 years; however, we feel that the time has come for non-Federal agencies to assume the responsibility for libraries.

Thank you, Mr. Chairman, for giving me the opportunity to address your committee. My colleagues and I are available to answer any questions you may have.

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1983 appropriation	1984 President's estimate	1984 appropriation	1985 estimate
Public library services	60,000		65,000	
Interlibrary cooperation	11,520		15,000	
Training and demonstrations:				
Library career training	640		640	
Library research and demonstrations	240		240	
Subtotal	880		880	
Research libraries	6,000		6,000	
Public library construction	50,000			
College library resources	1,920			
Total	130,320		86,880	

SUMMARY STATEMENT

Dr. SENESE. For fiscal 1985 the administration is not requesting any funds for library programs. This action reflects our recognition that State and local governments are in a better position to assume responsibility for basic library services and that there are other sources of funds to be made available to support other efforts.

We realize the importance of maintaining the quality of library services throughout the Nation. However, during the past 25 years the Federal Government has provided $2 billion for public, college, research, and school libraries as well as funds for library education, library research, demonstration, and interlibrary cooperation.

In our efforts to reduce overall Federal spending, we believe that elimination of Federal library programs can be justified. For example, the basic public library services program has fulfilled its purpose of extending access to the services of public libraries to all segments of the Nation's population including targeted populations.

The program was initially created to provide seed money to States for the unserved rural population and was later expanded to include various target groups including the disadvantaged, limited English proficient, elderly, handicapped, and State institutionalized persons. Forty-three States now have their own programs of State aid to public libraries.

We believe that library services are vital to learning and to scholarly research. Programs in this account have made valuable contributions over the past 25 years. However, we feel that the time has come for non-Federal agencies to assume the responsibility for libraries.

Thank you, Mr. Chairman, for giving me the opportunity to address the committee. My colleagues and I are available to answer any questions you may have.

ABSENCE OF FEDERAL ROLE IN LIBRARY FUNDING

Senator WEICKER. Well, this is the third year in a row the administration has asked for no funding for libraries. Coincidentally, we just had a witness here, Dr. Cheek of Howard University, who is trying to find money for his library system.

I cannot understand how the greatest Nation in the world and particularly the executive of the greatest Nation in the world can feel the United States can do without libraries or a Federal role in libraries. I think that's absolutely incredible.

Dr. SENESE. Well, we believe there is a Federal role, Senator, in libraries. However,——

Senator WEICKER. You know what I think. I think you fellows think you can do best if everybody is ignorant in this country. That way nobody knows what you guys are doing.

There's not any point in asking questions. You know what's going to happen as well as I know it. The Congress isn't going to let you get away with this. They haven't let you get away with it; they're not going to let you get away with it.

I realize this probably isn't your individual decision so I don't mean to make life uncomfortable for you, but at least you can go back there and tell OMB what's going to happen again to this request. They're wasting their time and they're wasting mine.

Ms. CHRISTENSEN. Mr. Chairman, I think our request——

Senator WEICKER. I can assure you that this is one of the things the chairman of the committee is deeply interested in not only as a Senator but as a former educator.

It's an easy thing to eliminate in the minds of a lot of people. "Well, libraries, we don't need them." But I realize that libraries are the bedrock in terms of everything that flows therefrom educationally, as well as continuing education and general literacy of the public as a whole.

I tell you, I really mean it. I think you people are just incredible; and that's a polite word. Go ahead.

Ms. CHRISTENSEN. Mr. Chairman, I would just like to say that the request does reflect the administration's feeling that the library program has been a tremendous success over the past 25 years; and that, in fact, 96 percent of the population is currently being served, including minorities and disadvantaged people.

In fact, the Federal funds support only 5 percent of the total. I think you have to take all that into account.

Senator WEICKER. You know what you people are doing? And you're doing it right down the line.

You are living on the investments made by past generations. Now, that's what you're doing. You're absolutely right. We do enjoy good libraries as a result of the investments that have been made decades ago.

What do you think is going to happen if you dry that up now? What do you think is going to happen?

Ms. CHRISTENSEN. If that's stimulated the States——

Senator WEICKER. Nobody probably will feel the effect that much now.

What do you think the case is going to be 10 and 20 years out?

Ms. CHRISTENSEN. I think the States would continue.

Senator WEICKER. Oh, according to you people, the Federal Government has no role; the States and private enterprise and volunteers will do it all, and we're all just in great shape that way.

The only thing the Federal Government has to do is to go ahead and pack up and go home.

COLLEGE LIBRARY RESOURCES PROGRAM PHASED OUT

Ms. CHRISTENSEN. I would also say, you mentioned Dr. Cheek's proposal. We and the Congress phased out the college library program, in fact, because it was providing about $890 per institution, which, in three-fourths of the institutions in the country, was less than 2 percent of their library budget.

STATE AID FOR PUBLIC LIBRARIES

Dr. SENESE. Senator, in 1956 we had only 23 States that had State programs that aided libraries. Presently we have something like 43 States that provide about $200 million. So I think the stimulative effect of that program has been evidenced and I think the States and localities realistically can pick up that burden.

TARGETING OF PUBLIC LIBRARY RESOURCES FUNDS

Senator WEICKER. Please don't defend this exercise in ignorance; and the ignorance isn't on the part of the American people. It's on the part of the administration.

Isn't it true that while the Federal Government's contribution to library services only amounts to 5 percent of all library aid, that that 5 percent is targeted to such special populations as the handicapped, the elderly, the homebound, the disadvantaged, and the institutionalized?

Is that right?

Dr. SENESE. That is correct.

PUBLIC LIBRARY CLOSINGS

Senator WEICKER. Do you have any statistics on the number of public library closings due to budget constraints of local governments?

Dr. SENESE. No; I don't think we do.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have no further questions. There might be further questions by members of the committee for submission to the record.

Dr. SENESE. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

PUBLIC LIBRARY ASSISTANCE

Question: Once again this year, as in the past 3 years, you are submitting a budget which asks for no Federal appropriations for library services, eliminating Federal support for public library services, interlibrary cooperation, career training and demonstrations, and research libraries for which we appropriated $87 million in fiscal year 1984.

In discussing the reasons for eliminating the $65 million public library services program, your justification states: "This program has fulfilled its purpose of extending access to the services of public libraries to all segments of the Nation's population." Isn't that a little like saying that since 95 percent of all school-aged children are immunized against childhood disease, we should eliminate the immunization programs? Isn't there an ongoing Federal responsibility, albeit small, to ensure continued access to libraries for not only the present but future generations?

Answer: It is difficult to maintain that access to local public libraries must be somehow permanently a Federal responsibility. These decisions require local, State, and regional input to ensure such access. In 1956, when Federal aid to public libraries was initiated, only 23 States had State aid programs to assist local public libraries to extend and improve services. After 28 years of Library Services and Construction Act aid, 44 States have now adopted State aid programs to enhance local public library services. In addition, access to these services has been extended to nearly all of the population during this time period. For these reasons, we do not believe that Federal support continues to be needed to ensure continued access to libraries.

Question: Isn't it true that while the Federal Government's contribution to library services only amounts to 5 percent of all library aid, that 5 percent is well targeted to such special populations as the handicapped, the elderly, the home-bound, the disadvantaged, and the institutionalized? How certain can you be that these special populations, who clearly are a Federal responsibility, will continue to be served by library programs in the absence of this Federal contribution?

Answer: It is our belief that State and local governments will continue many of the worthwhile on-going library programs serving these special clientele. After all, the Federal efforts were only to help initiate these services for which the State and local governments must always have the ultimate responsibility which is to define what services need to be maintained or enlarged.

LIBRARY CLOSINGS

Question: Do you have any statistics on the number of public library closings due to budget constraints of local governments?

Answer: Although there is some anecdotal data in the library press, we do not have any statistics that give a national picture of the number of public library closings due to budget constraints.

Question: Do you believe that the termination of the LSCA Title I program would exacerbate this problem?

Answer: We anticipate that there may be some initial decisions that State and local governments will have to make in ordering their priorities and determining what the key community needs are. States are in a better position to assume fiscal leadership now with 44 States having specific programs of State aid to local public libraries. Local governments continue to provide over 80 percent of the support for public libraries.

LIBRARY CONSTRUCTION

Question: The 1983 Emergency Jobs Bill included the Senate amendment to provide $50 million for public library construction. We understand that despite the fairly stringent qualifying requirements, such as evidence of immediate availability of matching funds and above-average employment rates, there were over 800 projects submitted for consideration of funding. What is your best estimate of the overall construction needs facing public libraries today, in terms of dollars?

Answer: The American Library Association estimated in 1980 that a total of $2.3 billion was needed for public library construction during the first half of the 1980s.

Question: Were the construction funds we provided obligated promptly?

Answer: As of March 20, 1984, a total of $46.5 million had been obligated, or 93 percent of the $50 million appropriation. Six months after the appropriation was made, 57 percent of the funds had already been obligated to the States.

Question: How many projects were actually funded?

Answer: As of March 20, 1984, a total of 499 projects have been funded.

Question: Approximately how much in non-Federal construction funds was leveraged as a result of the availability of the $50 million Federal construction appropriation?

Answer: One dollar of LSCA II funds appeared to stimulate over two dollars in local and State matching funds: $46.5 million LSCA II funds and $93.7 million local and State funds were associated with these projects.

INTERLIBRARY COOPERATION

Question: The $15 million interlibrary cooperation program provides funds to the States to stimulate cooperation and resource sharing among all types of libraries -- school libraries, academic libraries, public and other special libraries. The States maintain that they rely heavily on these funds and the cost-saving benefits which result.

According to the American Library Association, the Federal Communications Commission's access charge decision and pending divestiture-related tariffs will increase by 73 percent the cost of leased phone lines used by libraries to transmit bibliographic data. Under these circumstances, how do you expect States and localities to assume these additional increases in costs without the aid provided by the interlibrary cooperation program which encourages cost-saving and resource sharing?

Answer: An assumption is made that the decision on the Federal Communication's Commission rates for the cost of leased phone lines used by libraries has been finalized. We are aware that the library community has lobbied heavily and effectively in assuring that costs for line charges for library telecommunications are minimized. Those decisions are still being made.

The seed money for the interlibrary cooperation program has supported the establishment of many cooperative library programs over the last two decades which are now serving as models of regional, State, and local cooperation. We only have to cite the Nation's oldest and largest intra-state library network, OCLC (Online Computer Library Center, Inc.), which was fostered with many States contributing Title III funds. It has now become a major network serving over 3,000 libraries in every State in the Union, providing automated services for ordering materials, cataloging, and tracking of materials for the benefit of users of these libraries.

COLLEGE LIBRARY RESOURCES

Question: The only Federal library program that we agreed to discontinue in fiscal year 1984 was the college library resources program (Title II of the Higher Education Act) for the simple reason that as it is presently authorized, the program provides financial assistance to postsecondary institutions for the acquisition of library materials without regard to the institution's financial capacity. The Harvards would receive the same amount of award as the smaller, less well-off institutions. We did, however, express the hope that this program would be reauthorized to focus funds on institutions with the greatest financial need. Have you been working with the authorizing committees to develop criteria to target the college library resources program to the neediest institutions?

Answer: So far, during the current Higher Education Act reauthorization process, we have not assisted the committees. However, our research and program information are available for review and consideration.

LIBRARY CAREER TRAINING

Question: You note that there is no longer a shortage of librarians and therefore the library training program is no longer needed. But the funds we provided last year for the program, you wisely targeted on minority fellowship recipients, of which there is still a significant shortage. Less than two percent of librarians are Hispanic and less than six percent are Black. Isn't there a continued need for this small ($640,000) but well-targeted career training program?

Answer: The critical shortage of librarians experienced in the 1960s and 1970s no longer exists. The Administration feels that there is no further need for a separate categorical program to train librarians. Federal student aid and State and local funding are available to support this activity.

LIBRARY RESEARCH AND DEMONSTRATION

Question: Your justification indicates that the library research and demonstration program should be terminated because library projects can be funded by other entities. However, two specific examples you give in support of your position prove instead why research funds are still needed. The National Center for Education Statistics study of library human resources was funded mainly with these research funds. The Department's "Libraries and Learning Society" project was funded solely with these research funds as well. You seem to be contradicting yourselves here -- can you explain this?

Answer: It is our position that library research and demonstration can best be funded through other Federal, State, local and private efforts. Federal research efforts for libraries and information science can best be handled by entities with large research capabilities, such as: National Institute of Education, Library of Congress, National Library of Medicine and National Library of Agriculture. Private organizations, professional associations, and State and local education agencies could support large and/or small scale research.

PRESERVATION OF RESEARCH LIBRARY MATERIALS

Question: You say there are other sources of funds for research libraries. Yet of the many pressures facing research libraries, one problem alone is so staggering it will require a significant amount of help to make a dent in it. I am referring to the need to preserve the crumbling paper in books of the last 100 years. This type of problem should not add to the tuition burden of students attending institutions with precious research collections. This is a serious problem and a national problem. The $6 million research library program is essential in providing assistance to these libraries for preservation efforts. Do you agree that the need to preserve old and irreplaceable materials is a national concern?

Answer: We would certainly agree that this is a serious problem and a national concern. However, the solution is not a national responsibility, but rather one that rests with the owners and users of these materials.

Question: Specifically, what other sources of public and private assistance are available for the preservation of library research collections?

Answer: The National Endowment for the Humanities has been very supportive of library and research collections. In February 1984, NEH awarded $22 million in new challenge grants to 75 educational and cultural institutions, including several academic and public libraries. The three-for-one grants are designed to bring

in an additional $66 million in new private sector support for institutions. Among the grantees who will use part or all of their funds for preservation are the following:

The Hoover Institution, Stanford, received $900,000 for an endowment that supports library acquisitions, preservation, and materials processing.

Whittier College (California) received $210,000, part of it earmarked for preservation and development of the John Greenleaf Whittier Collection.

The Chicago Public Library received $1 million in seed money for the renovation of the former department store which will become the library's new main building, and also for establishment of an endowment to support preservation and acquisitions.

Indiana University's $750,000 will establish endowments for library acquisitions and materials preservation.

Morningside College (Iowa) received $300,000 for library renovation, including provision of controlled-climate space for special collections.

Professional organizations are devoting time and money to preservation efforts. The Andrew W. Mellon Foundation has awarded the Association of Research Libraries (ARL) a grant of $25,000 to support the preparation of an administrative guide for preservation microfilming in libraries and archives. The project will be carried out jointly with the Northeast Document Conservation Center (NEDCC) which has received a grant of $27,220 from the National Historical Publications and Records Commission to support the project.

An example of further support is the grant to the New York Public Library which received $1.25 million, of which $750,000 came from the Mellon Foundation to help endow expansion of the library's preservation efforts and $500,000 came from the estate of Katherine B. Hadley to endow operations of the library's Conservation Division.

REORGANIZATION OF LIBRARY FUNCTIONS

Question: It is no secret that the Administration has tried repeatedly since it came into office to eliminate all Federal funding for, and involvement in, the nation's public libraries. Having been unsuccessful, it now appears that you are attempting to "restructure" the Department's library functions, which could seriously hinder the administration of these programs. Is it true that you are planning to transfer all the planning, budget, and personnel control of the library programs from the Office of Educational Research and Improvement to the National Institute of Education (NIE) which has no expertise in the library field?

Answer: The Office of Educational Research and Improvement (OERI) is comprised of the Immediate Office of the Assistant Secretary, the National Institute of Education (NIE), the Center for Libraries and Education Improvement (CLEI), and the National Center for Education Statistics (NCES).

There are no plans to alter the control by the Assistant Secretary for Educational Research and Improvement and the Director of CLEI for the planning, budget or personnel of the library programs. Only support services for OERI in the areas of budget, financial management and administrative services have been consolidated with existing service units within NIE.

Question: Are you also planning staff reductions in the Center for Libraries and Education Improvement? Will NIE's staff increase?

Answer: Staff reductions are occurring in CLEI to comply with a decrease in the CLEI employment ceiling based upon a Department-wide work-load analysis. It is anticipated that the reductions will be accomplished through attrition, and that the ability of CLEI to administer its library and other program responsibilities will not be affected.

The ceiling for NIE was also reduced as the result of the Department-wide workload analysis. Since NIE staffing levels are currently below ceiling, we are in the process of replacing staff lost through attrition.

Question: Is it true that under this plan the library program will also lose its budget officer?

Answer: The library programs did not have a budget officer. Library and other CLEI program staff formerly received budget support services from a budget unit within the Office of the Assistant Secretary. These budget services will now be provided through the NIE budget office.

Question: Will the Director of the Center for Libraries and Education Improvement and the Administrator of the National Center for Education Statistics and their administrative staff all be reporting to the NIE director?

Answer: No, the reporting relationships will not change. The Director, CLEI and the Administrator, NCES will continue to report to the Assistant Secretary, OERI. The only change will be that NIE will provide many administrative support services for all of OERI.

Question: Was Congress notified of these reorganizational changes?

Answer: Congress was not notified of the realignment of administrative support services from the Assistant Secretary's immediate office to NIE because these changes did not alter, consolidate, or discontinue any statutory organizational entities or reallocate any functions vested by statute. Therefore, notification under section 413 of the Department of Education Organization Act was not required.

Question: Who ordered and approved this reorganization/consolidation of functions into NIE?

Answer: The Secretary of Education approved this consolidation.

Question: Will this realignment allow the library programs to function as before?

Answer: The realignment will not affect the functioning of the library programs in any manner.

Question: How many people in the NIE administrative staff and budget staff have had experience with the library programs?

Answer: Prior to the realignment, NIE's administrative and budget staff had had only incidental contacts with the library programs. Since the realignment a few months ago, however, NIE administrative and budget staff have worked closely with the CLEI, which is responsible for the Department's library programs, on several budget issues, including the preparation for these appropriation hearings. The interaction has been positive and successful, and there has not been any adverse consequences of the realignment on the library programs.

Question: On a somewhat related issue, we have here a copy of a January memo from Dr. Justiz to NIE staff announcing the creation of two new organizational units within NIE. Has this reorganization, involving the Excellence in Education staff and the Field Initiated and Internal Studies program been implemented?

Answer: The Excellence in Education staff and the Field Initiated and Internal Studies program were established in late January as temporary organizations in the National Institute of Education for a period of 120 days pending formal approval. We have subsequently begun making temporary personnel reassignments to these units.

Question: If so, were the appropriate Congressional Committees given 90 days notice by the Secretary of this reorganization as required in Section 413 of the Department of Education Act (P.L. 96-88)?

Answer: We believe that these organizational changes within NIE were internal, administrative changes that did not alter, consolidate, or discontinue any functions which were vested by statute. As such, Section 413 of P.L. 96-88 was not applicable to this action and, therefore, notice to Congress not required.

OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

STATEMENT OF JESSE M. SORIANO, DIRECTOR

ACCOMPANIED BY:

VIDAL A. RIVERA, DIRECTOR, MANAGEMENT, PLANNING AND POLICY STAFF

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENT

Senator WEICKER. The last witnesses that we have will discuss bilingual education.

We have the Director of the Office of Bilingual Education and Minority Languages Affairs. Mr. Soriano, will you please introduce those accompanying you and proceed as you wish. Your prepared statement will be inserted in the record.

[The statement follows:]

STATEMENT OF JESSE M. SORIANO

I am pleased to appear before the committee today to testify on the fiscal year 1985 budget request for bilingual education.

The 1985 budget request continues to emphasize development of the capacity of school districts and States to serve limited English proficient children. For fiscal year 1985, $139,245,000 is requested for bilingual education and bilingual vocational education programs. This is basically the same as the 1984 appropriation for these programs.

As you know, most programs administered by the Office of Bilingual Education and Minority Languages Affairs are designed to support school districts in the establishment, operation, and improvement of bilingual education programs to serve limited English proficient children. The largest grant program, Basic Grants to School Districts, provides "seed money" to allow school districts to develop capacity to serve their limited English proficient students and to continue bilingual education programs for these students when Federal funds are reduced or no longer available.

Grants and contracts are provided for training and support services on a regional and national basis. The projects are awarded to universities and nonprofit organizations, local school districts, and State educational agencies. Grants and contracts are also provided for bilingual vocational education activities.

In 1985, the budget is based on the proposed Bilingual Education Amendments which were submitted to the Congress last session and which are still available for congressional consideration. The legislation proposed six major changes in the current law:

(1) Broadening the range of instructional approaches allowed in the law to include those which do not require instruction in the child's native language. This provision would provide local school districts with the flexibility to use classroom techniques that will best meet the needs of their limited English proficient children.

(2) Focusing Basic Grants to School Districts more strongly on capacity building. Funds for this program support activities that serve a small percentage of the total population of limited English proficient children. The legislative proposal would maximize the use of these Federal funds by ending long-term aid to the same school districts, thus freeing up resources for other districts that need assistance.

Federal funds would only provide the initial catalyst for developing local programs and local capacity to maintain them when Federal funds are no longer available.

(3) Giving priority to districts which propose to serve children whose usual language is not English. Children who speak English poorly or who cannot read or write it would still be eligible to be served under Title VII. This provision is an effort to target limited Federal funds on the children who have a greater immediate need for services.

(4) Strengthening the role of State educational agencies by expanding eligible activities to include technical assistance, evaluation, training, and monitoring, and by changing the formula. Under the current legislation, States are only permitted to perform coordination activities. The legislative proposal would also provide a minimum grant amount so that a State with relatively few limited English proficient children would receive a grant large enough to support a meaningful level of activity.

(5) Moving the authority for bilingual vocational education from the Vocational Education Act to the Bilingual Education Act. This is primarily a technical change and is not expected to effect substantive changes in the program.

(6) Authorizing bilingual education for 1985. Fiscal year 1984 is the last year of authorization for the Bilingual Education Act. Our proposal would extend it in 1985 and provide for an indefinite authorization that year.

As I indicated earlier, for 1985 we are requesting $139,245,000, about the same as the 1984 appropriation for bilingual education and bilingual vocational education. The major difference between the 1984 appropriation and our 1985 budget request is the redistribution of almost $11 million to provide additional support to school districts districts and States. This strategy is complementary to our legislation, which focuses on improvement of the Basic Grants program. Our strategy also reflects general Administration policy to support locally directed programs. Concentrating aid on school districts would provide for greater local control to better meet locally identified needs.

For Basic Grants to School Districts, we are requesting $100,459,000, an increase of $10.9 million over the 1984 appropriation. At this level, we would be able to fund approximately 668 basic grants and 58 demonstration grants, and would be able to serve approximately 219,000 children, an increase of almost 25,000 children over 1984.

The budget request of $25 million for Training is $7.6 million less than the 1984 appropriation. However, the budget still contains a significant amount of funds for training, including up to $12 million for training new teachers. It assumes that some of the funds transferred to Basic Grants would be used by local school districts to meet their own training needs.

A recent research report -- the Classroom Instructional Component study -- found that almost all Basic Grant projects provide inservice training to some or all of their teachers. Another study -- the Teacher Language Skills Survey -- found a large number of training teachers in bilingual education classes who did not have sufficient training in bilingual education. These experienced teachers are candidates for inservice training programs, which can be provided effectively under the Basic Grants program and through the multifunctional resource centers.

Training funds will provide degree-oriented training for almost 6,000 undergraduate and graduate students at about 115 institutions of higher education. Funds will support multifunctional resource

centers which provide inservice training, technical assistance, evaluation, and other services to short-term training institutes for parents, teachers, and administrators.

The budget proposes to phase out some of the smaller training programs which have been operating for some time. These include the Fellowships and State Educational Agency Training programs. Support provided by the Fellowships program can be provided by other programs in the Department that aid graduate students. The State training program would be consolidated into the new State assistance program in our proposed legislation.

Under Support Services, we are requesting $10.1 million for fiscal year 1985. This is a decrease of $3.2 million from the 1984 appropriation. This budget activity supports several programs -- State Education Agency Assistance, research and evaluation, and the National Clearinghouse on Bilingual Education. In 1985, no funds are requested for materials development and dissemination. The budget proposes to move those resources to Basic Grants to School Districts, so that local administrators may support activities most relevant to their own needs.

For Bilingual Vocational Training, the budget requested is $3,686,000, the same as the 1984 appropriation for this activity. At the 1985 request level, the program will provide aid for out-of-school youth and adults in 12 projects. Nearly 1,195 students will receive services and 194 instructors will be trained.

My colleagues and I would be happy to respond to any questions the committee may have.

Biography of Jesse M. Soriano

POSITION	:	Director, Office of Bilingual Education and Minority Languages Affairs
BIRTHPLACE AND DATE	:	San Antonio, Texas, October 21, 1933
EDUCATION	:	Michigan State University, 1958, B.A. Michigan State University, 1962, M.A. Michigan State University, 1963, M.A. Michigan State University, ABD, Ph.D.
EXPERIENCE		
PRESENT	:	Director, Office of Bilingual Education and Minority Languages Affairs
1979 - 1981	:	Director, Migrant, Bilingual, Foreign Language, and Indochinese programs, Michigan Department of Education
1979	:	Federal Liaison Representative, Michigan Department of Education
1973 - 1974	:	Adjunct Instructor, Bilingual Education, University of Michigan

1969 - 1981 : Director, Migrant and Bilingual Programs, Michigan Department of Education

ASSOCIATION MEMBERSHIP : Elected President, National Association of State Directors of Migrant Programs

Board of Directors, Michigan Congress of Parents and Teachers

Board of Directors, Michigan Foreign Languages Association

Chairman, Executive Committee of the Midwest Council of LaRaza, Notre Dame University

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1983 appropriation	1984 President's estimate	1984 appropriation	1985 estimate
Bilingual education:				
Grants to school districts	84,126	59,724	89,567	100,459
Grants for desegregating districts	2,k400			
Training grants	31,288	22,400	32,610	25,000
Supportive services[1]	16,557	9,910	13,502	10,100
Subtotal	134,371	92,034	135,679	135,559
Bilingual vocational education	3,686	2,500	3,686	3,686
Total	138,057	94,534	139,365	139,245

[1]The 1985 estimate excludes $120,000 for the advisory council which is proposed for transfer to salaries and expenses.

The 1984 appropriation excludes $30,000,000 for emergency immigrant education which was appropriated as a separate account but was shown as a comparative transfer to bilingual education in the 1985 budget appendix and in the 1985 congressional budget submission.

INTRODUCTION OF ASSOCIATES

Mr. SORIANO. Good morning, Mr. Chairman. I would like to introduce, first of all, my two colleagues. On my right, Sally Christensen, Director of the Budget Service, Office of Planning, Budget, and Evaluation; and, on my left, Vidal A. Rivera, the Director of our Management, Planning, and Policy Staff from the Office of Bilingual Education and Minority Languages Affairs.

BILINGUAL EDUCATION BUDGET REQUEST

Mr. Chairman, this morning I am pleased to appear before you and the committee to testify on the fiscal year 1985 budget request for bilingual education. The 1985 request continues to emphasize the development of the capacity of school districts and States to served limited English proficient children.

For fiscal year 1985, $139,245,000 is requested for bilingual education and bilingual vocational programs. This is basically the same figure as the 1984 appropriation for these same programs.

As you know, most programs administered by the Office of Bilingual Education and Minority Languages Affairs are designed to support school districts in the establishment, operation, and improvement of bilingual programs to serve limited English proficient children.

The largest program is basic grants to local school districts which provide seed money to school districts to develop their capacity to serve limited English proficient students.

Under support services and training services, we provide grants and contracts on a regional and a national basis, and these projects are awarded to universities and nonprofit organizations, local school districts, and State educational agencies. Often these are awarded jointly to these entities. We also have grants and contracts for bilingual vocational education activities.

In 1985 the budget is based on the proposed bilingual education amendments which were submitted to Congress last session and which are still available for congressional consideration. That legislation proposes six major changes in the current law.

No. 1, broadening the range of instructional approaches allowed in the law to include those which do not require instruction in a child's native language.

No. 2, focusing basic grants to school districts more strongly on capacity building.

No. 3, giving priority to districts which propose to serve children whose usual language is not English.

No. 4, strengthening the role of State educational agencies.

No. 5, moving the authority for bilingual vocational education from the Vocational Education Act to the Bilingual Education Act.

And No. 6, authorizing bilingual education for 1985.

For 1985, we are requesting, as I've already mentioned, $139,245,000. The major difference between the 1984 appropriation and our 1985 budget request is a redistribution of almost $11 million to provide additional support to school districts and States.

This strategy is complementary to our proposed legislation which focuses on the improvement of basic grants to local school districts. For basic grants to local school districts, we are requesting $100,459,000, an increase of $10.9 million over the 1984 appropriation.

The budget request of $25 million for training is $7.6 million less than 1984. There is still a significant amount of funds for training, including up to $12 million for training new teachers. Some of the funds transferred to the basic grants program would be used by local school districts to meet their own training needs.

Training funds will provide degree-oriented training to almost 6,000 undergraduate and graduate students at about 150 institutions of higher education; will support multifunctional resource centers which provide inservice training, technical assistance, and evaluation to local school districts; and will make approximately 16 grants for short term training institutes for parents, teachers, and administrators.

We propose to phase out some of the small training programs which have been operating for some time now. These are the fellowships and the State educational agency training programs.

Under support services, we have requested $10.1 million for fiscal year 1985. This would support State educational agency assistance, research and evaluation, and a national clearinghouse on bilingual education.

In 1985, no funds are requested for materials development and dissemination. The budget proposes to move these resources to basic grants to school districts.

For bilingual vocational training, the budget request is $3.686 million, the same as the 1984 appropriation.

My colleagues and I, Mr. Chairman, would be happy to respond to any questions that you may have.

RATIONALE FOR CHANGES IN BUDGET REQUEST

Senator WEICKER. Well, I'm delighted to see that you are coming to the level imposed on you by Congress last year; but what brings about the shift? I believe you requested a 30-percent decrease last year. Now you're going along with the level funding this year.

I think that's a great step in the right direction. I also notice where, on the basic and demonstration grant programs, you proposed last year to fund reductions and are requesting this year a 12-percent increase.

What policy changes or perceptions of change are there which bring about this difference between last year's request and this year's request?

Mr. SORIANO. I think primarily, when we considered the redistribution, Mr. Chairman, of those funds, two things were paramount. First, the budget is based upon our proposed legislation which would allow strategies other than native language instruction. If the legislation is passed, we project that perhaps more school districts would apply for funds because there would be different types of programs eligible.

Second, we want more of the training activities and materials development activities to occur at the local school district level.

Those are two primary reasons why we have increased funds for basic grants.

DECREASE PROPOSED IN TRAINING

Senator WEICKER. The Senate report accompanying our bill for fiscal year 1984 urged the Department to develop a strategy for recruiting bilingual teacher candidates from among the existing pool of public school teachers to help alleviate the shortage of qualified bilingual education teachers.

Why does the fiscal year 1985 budget request propose reductions in every teacher training program, amounting to $7.6 million or a 23-percent decrease? One thousand fewer students would receive training in degree-oriented programs in fiscal year 1985 compared to fiscal year 1984 and nearly 300 fewer fellowships would be awarded, and no projects would be funded which would provide training for State educational agency personnel.

Mr. SORIANO. With respect to the State educational agency personnel program, the last time we made funds available for that program, we had almost no applications from State educational agencies, sir. The applications came in from not-for-profit agencies and from institutions of higher education, rather than the State educational agencies.

There seemed to be an apparent lack of interest in that area. We have decided to move the money for State training, again in keeping with our proposed legislation, to the formula grant program for the State educational agencies.

In terms of the fellowships, after carefully considering the input we get from the field and from numbers of school districts across the country as I travel, the need did not seem to be for Ph. D.'s or doctorates in bilingual education as much as it seemed to be for classroom teachers. Therefore, we are moving that money more into training for classroom teachers.

We have discovered that a great deal of the teacher training goes on at the local school district level. Almost all local school district programs under the basic grants are now providing some sort of inservice training to a great many of the teachers that we now have in bilingual programs.

There seems to be a need for inservice training more than degree-oriented training. We still, of course, feel that there is a need for a degree-granting program, and have requested funds for it.

We have looked at reports on the need for bilingual teachers. We're not completely certain that the figures that have been used to determine the need for bilingual teachers in the Nation are accurate. There may be a lesser need for bilingual teachers than has been expressed.

As I say, those are the major factors that we took into consideration, sir.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be additional questions submitted for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

BILINGUAL EDUCATION -- OVERALL FUNDING

Question: Last year you requested that we decrease the appropriation for bilingual education by over 30 percent, but this year you are requesting that we maintain overall level funding. What new insights do you have into the operation of this program that would cause such a dramatic shift in your budget request from one year to the next?

Answer: The Administration is extremely concerned that Congress has not acted on our legislative proposal to improve the effectiveness of bilingual education programs. Because earlier Administration proposals to reduce bilingual education spending were not favorably received in Congress and may have weakened support for our legislative amendments, no such spending cut is proposed. The budget request for 1985 reflects an adequate and realistic degree of fiscal restraint for this program.

Question: Last year, you proposed funding reductions for the Bilingual Education Basic and Demonstration Grant programs because there were other sources of Federal education aid for the limited English-proficient, namely Chapter 1. This year you are requesting a 12 percent increase for these bilingual programs. Can you explain the apparent inconsistency between the budget policy for these two years?

Answer: Funding for programs serving limited English proficient children is still available under other programs such as Chapter 1, Migrant Education, Refugee Education, and State bilingual education programs. In fact, more children are served under those programs than under Title VII Bilingual Education programs. However, the Administration views Title VII as a program which can help districts develop their own capacity to serve the children and as a vehicle to implement new instructional approaches that do not necessarily require instruction in the child's native language. It is complementary to other programs which focus on services to children.

In the 1984 budget, decreases were proposed in almost all activities in the Bilingual Education appropriation, including Basic Grants to School Districts and Demonstration Grants. The proposed decreases reflected the Administration's determination to hold down costs of Government spending. In the 1985 budget, with additional funds requested for education overall, funds were provided to Bilingual Education Basic Grants and Demonstration Grants in order to support the Administration's legislative proposal and the general Administration policy of providing aid directly to school districts and States rather than aiding intermediary institutions which may not address local needs.

INSTRUCTIONAL APPROACHES IN BASIC GRANTS TO SCHOOL DISTRICTS

Question: According to a study conducted by Development Associates (February 1982), entitled "The Classroom Instruction Component Study," a wide variety of instructional approaches were used in the federally-funded Title VII Basic Grant program. In 1981-82, over 21 percent of the Basic Grant programs either taught

all subjects in English and only taught reading or English language instruction in English, or taught all subjects in English and taught the native tongue orally. These findings indicate that despite the rules governing instructional approaches, local implementation of Title VII programs varies and that the Department of Education continues to provide Title VII funds to projects violating the statutory intent and regulatory provisions of Title VII. Why are Title VII funds currently being used to support Basic Grant programs which do not use a transitional Bilingual Education approach -- in direct violation of the Title VII statutory and regulatory requirements?

Answer: Title VII funds are not intentionally provided to Basic Grant projects which do not use a transitional bilingual education approach. The application review process involves screening by a panel of experts in bilingual education along with reviews by Office of Bilingual Education and Minority Languages Affairs (OBEMLA) staff, and the type of project proposed would have to be transitional bilingual education to qualify for funding. Any project that was implementing an all-English approach would be departing from its approved proposal, and would only be detected during monitoring after the project began.

The study referred to -- the Classroom Instruction Component Study -- apparently did find some Title VII projects which were using an all-English approach. These represented only 5.2 percent of the projects, however. Further, the specific districts which were included in the survey were not identified and will not be. Interviews in a research study are confidential unless designated otherwise at the beginning; data tapes and narrative reports provided by the contractor to the Department do not identify individual districts. Therefore, we cannot check the districts which indicated that they use an ESL approach. Also, all of those projects have ended; the study was conducted during the 1980-81 school year.

Question: What, if any, action has the Department taken against those school districts which received Title VII funds but which did not use transitional Bilingual Education in their programs?

Answer: To the extent that OBEMLA becomes aware that program regulations or provisions in a project's original grant proposal are not being complied with, the office takes steps to obtain compliance or terminate the grant and seek restoration of funds. If not found out while the project is ongoing, the noncompliance could be determined during post-project audits, and adjustments in funding sought.

Given the large number of districts which receive funds under Title VII Basic Grants, it is difficult to monitor every project as fully as would be desirable. The Administration's legislative proposal to improve the current law includes a provision to expand the activities that State educational agencies could perform, one of which was assisting the Department in monitoring bilingual education projects. If the Congress passed the legislation, this would assist us in improving monitoring of Basic Grant projects. Of course, since the legislative proposal would permit districts to use all-English approaches, this particular issue would not be raised if the legislation were passed.

DISTRICTS WITH LONG-TERM TITLE VII AID

Question: How would districts which have participated for many years in Title VII Basic Grants be affected by your proposal to end long-term support?

Answer: Districts which currently receive Title VII funding are never assured of receiving future support, since the program is discretionary and competitive. The districts are aware of this and should have taken advantage of the availability of Federal funds to develop their capacity to serve the children when the funds are no longer available. Under our legislative proposal, even districts with fourteen years of funding will be eligible for five more years, during which time they would be expected to put the funds to optimal use and build local capacity in bilingual education.

Question: Of the total number of limited-English proficient children receiving support under the bilingual Basic Grant program, how many are in districts which have received Federal aid for more than six years?

An analysis of Basic Grant recipients in 1982 found that of 411 local educational agencies, 184 (45 percent) had received aid for more than six years. The children in these districts totaled about 113,000 or 67 percent of the number served through Title VII in 1982. (Analysis was provided by the Department's Education Analysis Center for State and Local Grants, which is contracted to Advanced Technology, Inc.)

STATE AND LOCAL EXPENDITURES FOR BILINGUAL EDUCATION

Question: To what extent has the Federal Bilingual Education program stimulated increased State and local expenditures for Bilingual Education?

Answer: According to data collected by NCES and NIE, funding for bilingual education from State educational agencies has increased over the past five years.

	State Bilingual Education Funding	Estimated Number of Students Served
1979	$82.7 million	608,000
1980	$87.3 million	697,000
1981	$90.2 million	NA
1982	$105.5 million	768,000
1983	$114.9 million	NA

There is no information available on local expenditures for bilingual education. It is very difficult to identify such expenditures, since many of the costs are those associated with regular school costs, such as teacher salaries.

Question: What evidence do you have that States and localities could sustain bilingual education without Federal support?

Answer: We believe that the primary costs in serving the needs of limited English proficient children are either regular costs of a school district -- teachers and books and classrooms -- for which

Federal support is not provided, or are for special developmental activities, such as teacher training, materials development and adaptation, implementing changes in instructional approaches, establishing procedures to involve parents, and others which should be able to be accomplished and completed. It is the latter activities that Title VII aid should be focused on.

At present, Federal aid under the Bilingual Education Act results in serving less than 10 percent of the current estimated target population. The program is focused on improving the educational system rather than serving the children directly.

There are four areas which provide information on the ability of districts to serve limited English proficient children without Title VII aid -- the availability of State and local funds; the availability of other Federal funds which are long-term aid, such as compensatory education; and the effect of participation in Title VII programs.

There is considerably more funding available from other sources for service to limited English proficient children, with State aid at $115 million, serving more than 760,000 students, and Chapter 1 aid at $200 million or more, serving 492,000 students. Some of these children probably received services from several sources of funding, but there is clearly aid available for direct services beyond that provided by the districts themselves. The aid, furthermore, is from relatively stable sources.

Regarding the extent of capacity already built in districts, the Title VII program itself has reached a significant number of school districts with limited English proficient children. Since the program began, more than 700 school districts have received one or more Basic Grants under Title VII. These represent about 50 percent of the districts with significant numbers of limited English proficient children and include more than 70 percent of the children, although by no means all were served in the Title VII project.

However, even though many school districts have been reached by Title VII aid, it was not until relatively recently that emphasis was given to building capacity, rather than providing services to children. The extent of capacity in districts is thus not known and we are not considering it in our legislative proposal, which will provide a limit of five years of Federal aid beginning in 1985 for any district, even one with a history of Title VII participation.

NUMBER OF PARTICIPATING CHILDREN

Question: Your testimony points out that local districts use some of their Basic Grant funding for training, rather than teaching. If this is the case, how did you arrive at your estimate that an additional 24,500 children would participate in the Title VII Basic Grant projects under your fiscal year 1985 request?

Answer: The estimate of the number of children participating in 1985 was based on a straightforward projection from 1983. In 1983, the estimated average per pupil expenditure was $444 per

child. (Information was provided by the Bilingual Education Management Information System.) This average cost includes all expenditures in the projects, such as costs of training for teachers, curriculum development, and other capacity-building activities, as well as costs of services to the child, such as teacher aides or resource teachers.

Using this average produces estimated numbers of children to be served of 182,583 in 1984 and 207,115 in 1985. In all three years, funds are used by Basic Grant recipients for inservice and academic training and other support activities.

RESTRUCTURING BASIC GRANTS TO SCHOOL DISTRICTS PROGRAM

Question: According to your justification, you are affirming support for legislation to restructure Bilingual Education by revising program goals and criteria, and ending long-term aid to districts. Funding priority would be given to districts serving children whose usual language is not English, and a wide range of instructional approaches would be allowed. How would your proposal to restructure bilingual education affect projects currently receiving funds under this program?

Answer: Our proposed legislation includes a provision that is intended to exclude projects already funded from the requirements of the new legislation that relate to the five-year limit on grants. These provisions for Basic Grants would be implemented only with new projects, and would therefore be phased in over three years. Continuation awards for projects which are started before the legislation is passed would not be affected.

Other activities proposed in the legislation might provide more options for continuation projects, such as a broadened range of instructional approaches. The provision to target funding on children whose usual language is not English would not affect individual projects since its application will be during selection of projects.

The capacity-building provisions would also not affect continuation projects, which are supposed to be building capacity in their projects currently. The provisions would strongly affect new projects and any future awards to their districts. Once the five-year timing begins for the first project, additional projects must show evidence that the first project contributed to building capacity in the district, or funding will be denied.

BUDGET IN SUPPORT OF LEGISLATIVE PROPOSAL

Question: Does your budget request for fiscal year 1985 assume implementation of your proposals to amend the Title VII program?

Answer: Yes, the President's Budget for fiscal year 1985 assumes implementation of the Administration's legislative proposal for bilingual education. The changes proposed are greatly needed and would strongly enhance operations of the bilingual education program. School districts will benefit from increased flexibility to choose instructional approaches to meet the needs of their children, from support for capacity-building activities, and from

funds targeted on the children with the greatest immediate need. States will benefit if the current formula is revised to permit a minimum award to States and if the types of activities authorized are changed to include other activities besides coordination.

Question: What impact would your budget request have on meeting the bilingual education goals and criteria contained in current law?

Answer: The 1985 President's Budget would meet the goals and criteria contained in the current Bilingual Education Act.

CHAPTER 1 SERVICES FOR LIMITED ENGLISH PROFICIENT CHILDREN

Question: In your proposal to expand the instructional approaches which could be used by projects receiving Federal bilingual grants to include all-English or English-as-a-second language instruction, how would programs funded under the Bilingual Education Basic Grant program differ from the remedial education programs funded under Chapter 1 of the Education Consolidation and Improvement Act?

Answer: A recent Part C-funded study reviewed existing data on Chapter 1 services to students with limited English proficiency. The resulting report indicates that Chapter 1 funds were used in the 1981-1982 school year to provide about 492,000 students with programs of English for limited English background students. The study also found that:

> In terms of the language used in the Chapter 1 projects, 42 percent of the [respondents] noted that instruction was given in English, 12 percent in both English and the child's home language, and 7 percent reported that instruction was offered in Spanish.
>
> Most districts' English for limited English background programs were designed for students with a modicum of English proficiency, but who were still performing below grade level. Other non-English monolingual or severely limited English proficient students did not usually receive Title I instruction. Instead, they were typically served in selfcontained bilingual classrooms or bilingual centers supported with State and local funds.
>
> Students from language backgrounds other than English, who were judged to have English skills and thus able to benefit from the regular Title I reading or language arts offerings were usually included in regular Title I projects along with students from an English language background. In some instances, when a child was "mainstreamed" from a full-day bilingual classroom to a regular classroom, Title I reading or language arts services were provided as a transitional supplement to the regular school program.
>
> ("Chapter 1 ECIA Services to Students with Limited English Proficiency," Advanced Technology, Inc., Richard Jung, March 1984)

It appears from this study that Chapter 1 concentrates to a considerable extent on limited English proficient children who have

some English proficiency, although there are many exceptions in individual districts. Much of the Chapter 1 instruction is in English, with English-as-a-second language as the main instructional approach.

The Administration's legislative proposal would broaden the types of instructional approaches authorized under Title VII to include those which do not require instruction in the native language, including immersion as well as ESL. However, the proposal also includes a provision to target funds on children whose usual language is not English -- the children who are not usually served by Chapter 1.

PRIVATE SCHOOL SUPPORT

Question: In what States were Title VII funds used to support private school students in fiscal year 1984?

Answer: The States, number of private schools participating, and number of students served by Title VII funds for fiscal year 1983 are shown below. Awards have not yet been made for fiscal year 1984 projects.

State	Private Schools Participating in Title VII Projects	
	Number of Schools	Children Served
Arkansas	1	192
California	8	219
Connecticut	5	65
Florida	5	88
Georgia	1	3
Hawaii	2	54
Illnois	4	70
Maine	1	133
Maryland	2	49
Massachusetts	4	234
Michigan	6	365
Minnesota	3	58
New Jersey	4	21
New Mexico	4	361
New York	37	1,733
Ohio	2	18
Oklahoma	1	96
Oregon	2	27
Pennsylvania	7	136
Tennessee	4	5
Texas	2	85
Utah	1	79
Vermont	1	3
Washington	7	58
American Samoa	1	129
Trust Territory	2	136
Total	117	4,414

Question: Please provide a breakdown by State of how much in Title VII funds were used for private school students in fiscal year 1984.

Answer: All Title VII funds are provided to public schools, which are the eligible recipients. Although a grant will support student participation in bilingual education in both private and public schools, the funds are administratively accounted for in the budget from the local school district, which is the fiscal agent. Thus, specific information is not available on private school expenditures.

However, if funds are assumed to be provided to private school students at the same rate as for the public school students ($444 per child), a rough estimate can be derived. Using this assumption, about $2,000,000 would have been spent in 1983 for private school children.

BILINGUAL EDUCATION TEACHER TRAINING

Question: The Senate report accompanying our bill for fiscal year 1984 (S. Report 98-247) urged the Department to develop a strategy for recruiting bilingual education teacher candidates from among the existing pool of public school teachers to help alleviate the shortage of qualified bilingual education teachers.

Why does the FY 1985 budget request propose reductions in every teacher training program amounting to $7.6 million, a 23 percent decrease? (1,000 fewer students would receive training in degree-oriented programs in fiscal year 1985 compared to fiscal year 1984; nearly 300 fewer fellowships would be awarded, and no projects would be funded which would provide training from State educational agency personnel.)

Answer: The President's Budget request for 1985 includes a significant amount of funds for Training -- $25 million. Under this activity, $12 million is for Degree-Oriented Training for teachers and teacher aides in institutions of higher education and $10 million will support the Multifunctional Resource Centers, which concentrate on inservice teacher training. Another $3 million is for smaller training activities that do not concentrate directly on teachers, for the most part.

The budget proposes a redistribution of funds from Training programs to the Basic Grants to School Districts program. There does not appear to be a great need for the teacher training provided under the Training authority, and the other activities, such as Fellowships and State Educational Agency Training, duplicate other activities funded by the Department or are not as high a priority as aiding local school districts.

With respect to the need for teacher training, it should be noted that many of the high estimates that have been developed outside the Department of the need for new bilingual education teachers assume that every limited English proficient child must be taught by the transitional bilingual education approach. Consistent with the Administration's proposed amendment, the Department believes that not every language minority child who has difficulty with English necessarily must receive instruction in his or her native language.

Recent case studies and some preliminary information from the longitudinal impact evaluation study indicate that many districts

have established a sequential instructional process for limited English proficient students. A child who speaks little or no English is often first placed in a bilingual education program. As the child progresses, he or she is moved to a classroom with greater emphasis on English but still with English-as-a-second-language instruction (ESL) rather than regular reading and language arts.

Limited English proficient children who start school speaking English are often placed in ESL programs. For students who have advanced in their English proficiency, as a result of bilingual education, or who are English-dominant to begin with, a teacher who uses the ESL approach may be the best teacher for their particular needs.

The estimated number of limited English proficient children in the Children's English Services Study (CESS) was 3.6 million. Projections of teacher need using this figure usually range about 99,500. This figure includes existing teachers plus any new ones needed to fill in the gap to the ideal level. However, most estimates do not take into account variation in student needs. The CESS study reported 2.0 million of the children, or 55 percent, usually speak English, not their native language. Only 1.6 million usually speak a language other than English. Surely at least some of the English dominant children could be served by an ESL teacher.

At present there are 103,000 teachers teaching ESL and 56,000 teachers teaching bilingual education, for a total of 159,000 teachers of limited English proficient students. (Teacher Language Skills Survey, 1983.) If ESL teachers can be assumed to be satisfactory for at least some of the children, the total number of teachers actually teaching the children exceeds considerably any current projections of need for new teachers. There does not appear to be a great national need for new bilingual education teachers, although there may well be spot needs in particular areas for new teachers.

Further, very recent data from the English Language Proficiency Survey indicate that the number of limited English proficient children is considerably lower than originally estimated. Our preliminary estimate is that, in 1982, there were about 2.4 million limited English proficient children, a percentage of whom usually speak English, although this figure is not yet known. This estimate is one-third lower than the original CESS estimate of 3.6 million children, which has been used to develop estimates of teacher need. Thus, the total number of teachers needed -- both bilingual education and ESL teachers -- is likely to be lower than the 99,500 or so estimated elsewhere.

There is a second issue of teacher qualifications, however, which affects discussions of teacher training needs. Some have argued that many existing teachers of limited English proficient children lack adequate qualifications and need additional training. The Department agrees with this point, although with some reservations.

The following table provides data from the Teacher Language Skills Survey. It shows the number of teachers who were judged by the contractor to have adequate academic qualifications for the

program they are teaching and those teachers judged to have inadequate qualifications. The latter teachers may have had some academic courses or inservice training, but not a full range of academic courses in bilingual education. The report did not provide separate information on the number of teachers who have had no training at all, compared to those with some academic training or with inservice training.

	With full academic preparation	With some academic preparation or none 2/	Total teachers of LEP students
Bilingual education teachers 1/	21,000	35,000	56,000
ESL-only teachers	11,000	92,000	103,000
Total teachers	32,000	127,000	159,000

1/ Some of these teachers teach ESL as well as instruction in the child's native language.

2/ Some of these teachers have participated in inservice training workshops.

(Source: Teacher Language Skills Survey, InterAmerica Associates, 1983. Data were collected in the 1980-81 school year)

The data indicate that many teachers may need more training. The question then becomes what type of training is needed. There is currently no evidence that experienced teachers must receive an advanced degree in bilingual education in order to be able to competently teach limited English proficient children. The Department believes that inservice training workshops or academic courses aimed at improving skills or attaining certification should be sufficient for many of these experienced teachers. Inservice training is sufficient to enable teachers in many States to gain certification in bilingual education. The 1985 budget provides for this type of training but under the Basic Grants to School District program.

Another research study has shown that the Basic Grants program has an excellent record of providing training to teachers, including inservice training and academic training leading to certification and/or a degree. The Classroom Instruction Component Study conducted by Development Associates (1982) found that 97 percent of Basic Grant projects provided training for the participating teachers, with 54 percent providing training for all of the participating teachers. Seventy percent of the projects reported providing training geared to helping staff meet State certification requirements.

Rather than provide funds to universities which may not be responsive to local needs and which use a good portion of the funds for institutional support rather than student aid, the budget proposes to give more grants to school districts since they have a good record of providing teacher training with their Basic Grants. This also helps to ensure that the training will meet the needs of local district since it is controlled by the districts themselves.

In summary, our review of recent data on teacher supply and need concluded that there does not seem to be a great need for many new teachers. There are likely to be spot needs in particular areas, and the budget includes substantial funds for training new teachers in the Degree-Oriented Training program. The data do show that there are many existing teachers who are experienced but who may not have adequate training.

Rather than concentrating funds on training new teachers or on providing existing teachers with advanced degrees, as is accomplished in the Degree-Oriented Training program, we believe that it is more appropriate to support inservice and academic courses as needed. We further believe that this is a decision best made by local districts. For this reason, the budget proposes to increase funding provided to school districts by almost $11 million, of which $7.6 million is reallocated from Training programs in higher education institutions.

NEED FOR BILINGUAL EDUCATION TEACHERS IN THE FUTURE

Question: If our population of limited English-proficient children and youth continues to expand, how will the demand for trained bilingual teachers be met under your budget request?

Answer: The Condition of Bilingual Education, 1982 report included the results of a study projecting the number of limited English proficient children to the year 2000. On the basis of the results, the Department projected a modest increase in 1980, a modest increase of about 50,000 limited English proficient children aged 5-14 by 1985, and a moderate increase of about 350,000 by the year 1990. These data will need to be re-estimated based on new data from the English Language Proficiency Survey.

The budget request for bilingual education still includes a substantial amount of funds for Training -- $25 million, including $22 million for preservice and inservice training of teachers. This is in addition to funds provided through the Basic Grants to School Districts program, which provides inservice training and academic courses to participating teachers. At this time there does not appear to be a need for an increase in funding for Training.

CURRENT NUMBER OF TEACHERS BEING TRAINED

Question: How many bilingual education teachers are currently being trained in institutions of higher education?

Answer: Information is not available on how many bilingual education teachers are currently being trained in institutions of higher education under sources of funding other than the Title VII programs.

Question: How many of these are supported by the Federal bilingual education training grants program?

Answer: Currently, the Degree-Oriented Training program enrolls about 7,000 students, including teachers and teacher aides.

BUILDING CAPACITY FOR BILINGUAL EDUCATION

Question: In your justifications and your testimony for the last two years, much concern has been expressed regarding the "extended periods of time" for which some school districts have received aid. While your interest in having local school districts eventually running their own programs is noted, do you not believe that most of the school districts receiving Title VII aid desperately need Federal aid because either they have a steady and sizeable influx of limited or non-English proficient children, or they are fiscally incapable of providing these services without Federal assistance?

Answer: Title VII has never been designed as a service program, but rather as a demonstration or capacity building effort to improve local ability to help the children without dependence on long-term Federal aid. This goal is incompatible with providing aid to some districts over many years. No district should be able to depend on this program for long-term aid. It is not designed or organized to support that type of activity.

Title VII funds are provided on a discretionary basis; that is, school districts apply for funds in competition with other districts. When selecting applications for funding, a number of priorities must be applied according to the law; these include consideration of several types of needs. The priorities are taken into account along with consideration of the quality of the application itself and the extent to which the project proposes to build local capacity to serve the students once Federal funds end.

Other Federal and State programs provide long-term aid which is not subject to the uncertainties of competition and the short-range planning which results. Many districts use their Chapter 1 funds for serving limited English proficient children. This is long-term, steady aid for which a district does not have to compete and which is provided specifically on the basis of need. Refugee Education aid, which helps districts with an influx of limited English proficient refugees, is provided on the basis of a child count not on competition. Many State bilingual education programs distribute funds on a child count, rather than on a competitive basis. These efforts are complementary to the Title VII programs, which focus more on the district's capability than on direct services to children.

Also, ending long-term aid to some districts would enable funding of other districts which have not participated in the program. We have developed a rough estimate that only about 50 percent of the districts with limited English proficient children have participated in this program since its beginning in 1969. (A study was funded in 1983 which will refine this estimate and provide more detail on the specific districts which have and have not received Title VII funding.) One theory is that small rural districts without much capability in writing proposals are not very successful in gaining discretionary Federal funds, including those from Title VII. The Administration's legislative proposal to limit funding to a district to five years in total would give less experienced districts a better chance of getting aid in the future, as the program gradually made funds available for new districts.

DUPLICATION OF TRAINING ACTIVITIES WITH BASIC GRANTS PROGRAM

Question: What, if any, duplication exists between the teacher training activities under the bilingual training grants and those teacher training activities supported under the basic grant progam?

Answer: There is extensive overlap in the type of activities funded by Basic Grants and the Training programs, although the programs differ in their overall purpose with respect to focusing on local or national needs.

Training under Basic Grants concentrates on local needs. Locally defined training needs are addressed, and teachers immediately apply the training to classroom situations. The Degree-Oriented Training program increases the supply of trained teachers, but the training that these teachers receive does not necessarily meet a particular local district's needs. Also, the graduates may not want to work where the need is greatest for teachers. The Multifunctional Resource Centers provide inservice training to local districts.

Basic Grants projects support inservice workshops in the districts, academic training not necessarily oriented to a degree (such as courses to improve skills or obtain certification), and degree-oriented academic training.

The Degree-Oriented Training program provides academic training leading to a degree -- associates, bachelors, or masters degree -- for teacher aides, existing teachers, and students.

Both the Degree-Oriented Training program and Basic Grants program provide training to existing teachers to help them get certified in bilingual education. Seventy percent of the Basic Grants projects reported providing training to enable teachers to meet State certification requirements. While there are no data on the number of teachers enrolled in the Degree-Oriented Training programs who are meeting certification requirements, the RMC Study of Teacher Training Programs in Bilingual Education (1981) found that 75 percent of the masters degree candidates and 81 percent of associate degree candidates were existing teachers and teacher aides of limited English proficient students. This implies that the Degree-Oriented Training program is, to a large extent, upgrading the skills of existing teachers and not producing new teachers.

About 43 percent of the Degree-Oriented Training projects are masters degree programs, 47 percent bachelors degree programs, and 10 percent associate degree programs. Only the bachelors degree programs would add new teachers to the existing pool of teachers to any extent. The masters degree program either upgrades skills of existing teachers or prepares them to leave the classroom and become administrators. The associate degree program improves the skills of existing teacher aides.

STATE EDUCATIONAL AGENCY TRAINING

Question: According to the justification, your legislative proposal to amend the Title VII Bilingual Education program would strengthen the role of State educational agencies (SEA) in improving and monitoring bilingual education. Why then does your FY 1985

budget request propose the elimination of funds for the SEA training grants?

Answer: The Administration's legislative proposal includes a provision to expand the activities currently authorized under the State Educational Agency Assistance program. At present the only eligible activity is coordination of technical assistance provided by other agencies to local school districts. The States can use their SEA Assistance program funds to provide training to State staffs related to their coordination function.

The Department had started a separate program under Training to provide some States with funds to train State staffs in broader functions. However, there has not been a widespead interest in the program by States; and the current law does not permit limiting awards to State educational agencies, so other organizations have applied for funding. Because of these problems, we propose to phase out the program.

In addition, if our legislative proposal is passed by Congress, the States would get one grant which could be used for coordination, training, technical assistance, evaluation, monitoring, and other activities which are needed to improve bilingual education. State educational agencies would be able to fund training components in any relevant area as necessary.

NATIONAL CLEARINGHOUSE ON BILINGUAL EDUCATION

Question: What is the status of the evaluation report on the National Clearinghouse for Bilingual Education?

Answer: The report is completed and has recently been submitted to the Committees.

Question: Please provide us with preliminary or summary findings of this evaluation.

Answer: The following information is taken from the Executive Summary of the report.

ASSESSMENT OF THE OPERATIONS AND EFFECTIVENESS OF THE NATIONAL CLEARINGHOUSE FOR BILINGUAL EDUCATION

February 1984

The National Clearinghouse for Bilingual Education (NCBE) was established in 1977 to fulfill legislative requirements for a clearinghouse that would "collect, analyze, and disseminate information about bilingual education" and related programs serving limited English proficient (LEP) students. Since its establishment, NCBE has operated under successive contracts specifying three major tasks related to the education of LEP students -- the direct delivery of information requested by users, the development and maintenance of a computerized system and information resources, and the preparation and dissemination of publications addressing the information needs of users. This year (fiscal year 1984) NCBE is operating on a budget of about $1.5 million. During the six preceding years, NCBE received a total of $8.6 million for its operation.

A single contractor, InterAmerica Research Associates, Inc. has operated NCBE since 1977.

This study was undertaken to assess the operations and effectiveness of NCBE. This study design included (1) a series of interviews with NCBE staff, staff of the U.S. Department of Education (ED), and others; (2) the review of documents pertaining to NCBE; (3) a series of telephone interviews with actual and potential users of NCBE services; and (4) evaluations of NCBE publication by four experts drawn from the fields of bilingual education and information dissemination.

The study found that NCBE is implementing the tasks and delivering the services required by its contract. In general, NCBE seems to be well known by persons involved in the education of LEP students, and its products and services are thought to be of good quality.

A comparision of NCBE costs to the costs of comparable centers indicates that NCBE costs are high in relation to the overall magnitude of its operations. These high costs may be partially attributable to the Title VII coordination activities that NCBE carries out, as required by its contract.

The examination of NCBE operations indicated two current problems in its delivery of information services. First, requirements in the NCBE contract have led to the development of a computerized data base that overlaps in part the Educational Resources Information Center system (ERIC). This overlap reduces the efficiency of NCBE's use of resources. Second, due to certain directions from ED and other factors, NCBE's publications program has not consistently addressed the information needs of local practitioners involved in the education of LEP students. The ED directions that have contributed to this problem are the requests for publication of national research and and policy reports and the instructions from the ED Publications and Audiovisual Advisory Council (PAVAC) terminating NCBE's production of bibliographies, information directories, and descriptive products, and limiting the publication of newsletters and information analysis products. The restrictions imposed by PAVAC on NCBE's publication and dissemination activities may have contributed to the decline in use of NCBE services by educational practitioners, according to two educational dissemination experts who participated in this study.

The report offers possible strategies for addressing these two problems. To eliminate the overlap between NCBE's computerized database and ERIC, ED should consider either (1) consolidating NCBE and the ERIC clearinghouse services pertaining to the education of LEP students or (2) streamlining NCBE in order to eliminate activities that overlap with ERIC. To improve NCBE's ability to provide services that are useful to locate educational practitioners, ED should consider directing NCBE to (1) refocus its products and services to be more directly useful to local practitioners, (2) target its products and services to intermediate assistance providers (such as Multifunctional Support Centers and State educational agencies), or (3) attempt to achieve certain marginal improvements within the framework of its current targeting of products and services.

The Department has been reviewing the results in the report and has already taken steps to implement some changes in the clearinghouse's fourth year of operation, which is currently underway. The findings were also used in developing the Department's report to the Committees on future directions in materials development, evaluation, and dissemination, requested in the fiscal year 1984 Conference Report.

The report's findings will be particularly helpful in preparing for the re-competition of the clearinghouse, which will occur in fiscal year 1985.

Question: Who is the contractor and who is the Department of Education's contract manager responsible for this evaluation?

Answer: The contractor was the Department's Education Analysis Center for Educational Quality and Equality -- Pelavin Associates, Inc. Most of the project was subcontracted to Policy Studies Associates, Inc., however. The principle investigator was Elizabeth R. Reisner of Policy Associates, Inc.

Contract management was performed by Keith Baker, policy analyst in the Planning and Technical Analysis Division, and Frank Nassetta, director of the Quality and Equality of Education Division, in the Department's Office of Planning, Budget, and Evaluation. Ramon Ruiz, program specialist in the Office of Bilingual Education and Minority Language Affairs, assisted in the coordination of the contract activities as well.

DATA PROCESSING ACTIVITIES

Question: How would the data processing activities of the Office of Bilingual Education and Minority Languages Affairs improve if, as you propose, they are centralized within the program administration component of the Salaries and Expenses account of the Department of Education?

Answer: The data processing activities under discussion are those for the Bilingual Education Management Information System (BEMIS), which was funded under the Part C Research and Evaluation program from 1982 to 1984. The data base is of use both to program managers and to researchers. The system was monitored by the Office of Bilingual Education and Minority Languages Affairs before and will continue to be monitored by that office in the future, notwithstanding the change in source of budgetary authority. It will be completely unaffected by the centralization of data processing funds in the Salaries and Expenses account.

The purpose of the transfer is to enable the Department, OMB, and the Congress to distinguish clearly between funds that provide services to the public and funds that serve the Department's administrative needs. The transfer will bring the Bilingual Education account into line with the accounting practice used in other Education Department program accounts.

Question: How would this proposed transfer affect the availability of information on program operations and program monitoring?

Answer: This transfer will not affect the availability of information on program operations and monitoring at all.

Question: How would the administration of the bilingual education programs be improved by this centralization?

Answer: The benefit is to Administration managers and to appropriation committee members who will be fully informed as to the total administrative costs associated with Departmental programs.

Question: If the data processing activities of the Office of Bilingual Education and Minority Languages Affairs were centralized within the Department, what, if any, guidelines would be established to manage this system?

Answer: Data processing activities are already centralized within the Department under the Office of Information Resources Management, which has responsibility for coordinating data processing services for all offices within the Department. That office currently reviews all data processing requests within the Department, including that for the BEMIS system.

Question: What criteria would be used for establishing priorities, not only in the collection and manipulation of Department-wide program data, but also in accessing these data for individual programs?

Answer: Most data systems are implemented and monitored by individual offices and are not in competition with each other for processing priorities. The Department's ADP system, operated under contract with EDS Corporation, is generally large enough for most applications; the exceptions, such as the Pell Grant program, are contracted separately with other contractors. A system such as BEMIS does not require special outside data collection since its data source is the grant applications from successful applicants.

When projects do require outside data collection, the Department has an office which reviews requests for data collection and the specific instruments proposed. It transmits approved requests to the Office of Management and Budget which has final approval on all data collection requests involving more than nine respondents. A primary concern of these offices is to reduce respondent burden by eliminating unnecesary questions and instruments.

Question: Describe the current role data processing activities play in the administration of Federal Bilingual Education programs.

Answer: There are two main data processing activities that affect Bilingual Education programs. BEMIS, which is monitored by the Office of Bilingual Education and Minority Languages Affairs, provides descriptive program data on the projects -- how many children are served, what languages are involved, how many teachers participate in the the training grants, how many private schools participate, amount of funding of awards, and so on.

Another system -- the Grants Management System monitored by the Department's grants and contracts office (Assistance Management and Procurement Service) -- provides information such as the status

of applications received for bilingual education and other Department grant programs, the amount of awards, grantee addresses, and other administrative information.

Data from both systems are used in program administration and monitoring and to provide information describing the programs, such as in the Bilingual Education section in the Department's Justifications of Appropriation Estimates for Committees on Appropriations. BEMIS data are currently being used in a research study of districts that do not participate in Title VII programs, and will undoubtedly be used in other research and evaluation activities.

Question: What role does this system play in the preparation of the congressionally mandated annual report on the condition of bilingual education?

Answer: The BEMIS system, as a matter of course, will produce tables in the Condition of Bilingual Education report to describe the various Bilingual Education programs.

Question: Why are you proposing that funds for the National Advisory Council on Bilingual Education be transferred to the Department's Salaries and Expenses account?

Answer: The activities funded under the National Advisory Council are administrative rather than program expenditures. Council expenditures are made for personnel compensation and benefits, travel, and printing, rather than for grants and contracts with school districts, States, universities, private institutions, or other entities. Therefore, it is more appropriate for the Council to be in the Salaries and Expenses account.

Question: If this transfer were approved, then in future years would your justifications for the Salaries and Expenses account provide separate funding information on the National Advisory Council on Bilingual Education?

Answer: The 1985 Congressional Justification for Salaries and Expenses included expenses for advisory councils but did not provide separate funding information on the National Advisory Council on Bilingual Education.

It should be noted that previous justifications did not provide much information on the Council, even when it was included in the Bilingual Education account. Its total funding is very small, and its activities are very different from the rest of the Bilingual Education programs.

Question: Is this proposed transfer of the National Advisory Council on Bilingual Education part of a larger plan to centralize smaller and disparate programs and activities in order to facilitate their eventual elimination?

Answer: The proposed transfer would have no effect on the operations of the National Advisory Council on Bilingual Education and is not part of any plan to terminate the Council. In 1984, all Department councils, with the exception of the councils on bilingual

education and handicapped education, are funded out of the Salaries and Expenses account. This transfer establishes uniform principles for administrative expense accounting Department-wide.

EVALUATION, DISSEMINATION, AND ASSESSMENT CENTERS (EDACS)

Question: What is the status of funding which Congress directed be provided for the existing evaluation, dissemination, and assessment Centers (EDACs)?

Answer: The Department is in the process of developing language for the required notice in the Federal Register which will permit sole source awards to the EDACs this year.

The Department has also recently received an evaluation report of the EDACs, which concluded that:

> . . .the EDACs, as presently constituted, have not been successful in achieving their major objectives. They currently carry out few activities in the area of needs assessment and, except for the Lesley College EDAC, little in the area of evaluation. Further, their publication and dissemination activities, while extensive, have by-and-large not succeeded in reaching their intended clientele and getting wide use in bilingual education programs.
>
> ("An Evaluation of the Bilingual Education Evaluation, Dissemination, and Assessment Centers" by Pelavin Associates, Inc., March 1984)

The evaluation report has been sent to the appropriation committees for their information and use.

The Classroom Instruction Component Study (1982) surveyed Basic Grants to School Districts in the 1981-82 school year. It reported that:

> The study found that 77 percent of all Basic projects reported receiving services, materials, or training from a BESC [bilingual education service center]. . . Relatively little use appeared to be made of EDACs. Forty-eight percent of the projects had never requested assistance and 38 percent requested help only once or twice. However, those directors who used EDACs frequently were very satisfied. . .Title VII bilingual education projects generally found that BESCs were useful, but EDACs were not.
>
> (Classroom Instruction Component Study, Development Associates, Inc., 1982)

The Department is reviewing both reports for implications for future proposals about the EDACs.

MATERIALS DEVELOPMENT

Question: What funding will be provided in 1984 for materials development?

Answer: Under the Support Services budget activity, $529,000 will be used to supplement Basic Grants to School Districts for

materials development activities. This will enable local school districts to develop materials that they need and will use.

BILINGUAL VOCATIONAL TRAINING

Question: According to the Department of Education's Annual Evaluation Report for fiscal year 1982, Bilingual Vocational Training Programs can reduce unemployment rates, increase job earnings and increase the rate of labor force participation of limited English-speaking adults. If this program is so successful, why are you proposing just to maintain the fiscal year 1984 funding level?

Answer: The Bilingual Vocational Training program is not a service oriented program, but is one in which the Federal Government supports the creation of model programs from which other agencies can extract successful practices. The primary source of funding to serve limited English-speaking persons in vocational education is grants to States under the Vocational Education Act and programs supported with State and local funds. The discretionary Bilingual Vocational Training program serves only a small proportion of the total need.

In 1981-82, the Department's Vocational Education Data System estimated that about 94,000 limited English proficient students received services through State Grants for Vocational Education, although these data apparently are not very reliable. In addition, State reports identified approximately 700,000 limited English proficient students as being served with Adult Education Act funds. Bilingual vocational projects in 1983 supported 1,195 trainees, 194 instructors and 4 materials development projects in order to carry out the intended purpose of the program.

Question: Do you have statistics which show the extent to which this program has been successful in reducing the drop-out rate for participants?

Answer: All of the participants in this program are out-of-school youth and adults, so the program has no effect on high school dropout rates.

Regarding the success of the program on encouraging participants to remain in training until the completion of the program, a study by Kirshner Associates (1980) provides some information.

> Nearly three-fourths of the 472 persons in the follow-up sample who were no longer in training reported that they had completed the training class. Almost half of the trainees who had completed training did so by virtue of meeting their training objectives, while the other trainees remained in a class until its completion.
>
> Training completion rates were higher in the Subpart 3 programs [Bilingual Vocational Training] than in other types of programs: the completion rate in Subpart 3 programs was about 90 percent. (Since trainees were sampled originally from among those enrolled in training, it is not known how many might have already left training.)

> The most common reasons for not completing training in both types of programs were personal or family considerations. Health and transportation problems were other reasons mentioned for leaving training prior to completion.
>
> Not all reasons for leaving training are negative nor do all result from problems. Nearly 10 percent of the trainees left training prior to completions in order to take a job. Leaving training to take a job (as with all reasons for leaving) was a much less frequent occurrence in Subpart 3 programs than in other programs.
>
> Very few of the trainees (fewer than 3 percent) left training because of problems with understanding instructors, with the pace of the instruction, or because they were dissatisfied with the instructors. . . .
>
> (Kirshner Associates, Inc., "Evaluation of the Status and Effects of Bilingual Vocational Training," March 1980)

It should be noted that the contractor does not provide the percentage of those who completed the programs by staying throughout the entire course. For all programs this appears to be about 37 percent (half of the 75 percent who completed either "because their objectives were met" or because they actually finished the program). This results in a dropout rate of about 63 percent. Since only 10 percent left to get a job, this was not the main reason why the 37 percent who considered their objectives met left early.

Also, the method of sampling underrepresents the number of non-completers, since some may have already left the program by the time the survey was being conducted.

Therefore, we do not have very accurate information on the rate of completion for the Bilingual Vocational Training program, but it is likely to be somewhat better than for programs supported under other sources.

TOTAL NUMBER OF LIMITED ENGLISH PROFICIENT CHILDREN

Question: Your justifications state that the 3.6 million children identified through the Children's English and Services Study of 1978 (a joint National Institute of Education and National Center for Education statistics study) to be limited English-proficient is too high. However, the justifications are not clear as to why this is so. In addition, the justifications do not contain any current estimates of the number of limited English-proficient children in the United States.

What is your best estimate of the total number of limited English-proficient children in the United States, and how does this estimate differ from the 3.6 million children estimated to be limited English-proficient by the Children's English and Service Study (CESS) of 1978?

Answer: Using Part C research funds, the Department provided funds to the U.S. Bureau of the Census to survey about 9,300 households in 1982. The purpose of the English Language Proficiency Survey (ELPS) was to develop detailed estimates of the number and

proportion of limited English proficient children and adults in the United States, by State and by language group. The survey included testing of both children and adults for their language proficiency. It also included testing of children and adults who were native English speakers, for purposes of comparison. The tests used were the LM&AI and MAEP instruments, for children and adults respectively.

Data from the English Language Proficiency Survey has provided a preliminary total estimate of the number of limited English proficient children -- about 2.4 million children in 1982. The number includes all language minority children age 5-17 who scored below the 25th percentile in the LM&AI test, as compared to the performance of native English speaking children. At this time, we do not have data on what percentage of the 2.4 million children usually speak a language other than English.

The Children's English and Services Study (CESS) reported in 1981 that there were approximately 3.6 million limited English proficient children in the U.S. in 1978 who could be eligible for the types of services which Title VII supports. The ELPS study has provided data that permit reassessment of the CESS data. Based on ELPS data, the number of children in 1978 who were limited English proficient was about 2.0 million, rather than the 3.6 million estimated. Thus there has been an increase of about 20 percent in the number of children between 1978 and 1982 (from 2.0 million to 2.4 million), but the total number is considerably lower in both years than originally estimated for 1978.

Two reasons why the estimate has changed follow:

- The original cut-off scores used a standard of English proficiency that was too high. Using the same tests and proficiency cutoffs employed by CESS, the Census Bureau found in ELPS that 43 percent of all children with exclusively English language backgrounds could not meet the standard. This information was not available until ELPS tested English speaking children.

  Most educators agree that children performing above the 20th or 25th percentile on measures of English proficiency are able to benefit from standard classroom instruction; that is, they are not sufficiently limited to require special educational services. Use of the ELPS data on native English speaking children enables the development of a better standard which reduces the original estimate by 35 to 40 percent.

- Children were included in the original estimates who were not available to be served. CESS included in its estimate all children from age 4 to 18, rather than the more standard age range of 5-17, and did not take into account enrollment in school. Correcting for this reduces the original estimate by 7 to 10 percent.

Detailed estimates based on the ELPS data will be available in the summer of 1984.

Question: Do your new estimates include only those children who are limited English-proficient and who live in homes where the usual language used is not English?

Answer: No, the preliminary estimate of 2.4 million limited English proficient children described above includes all school-age language minority children scoring below the 25th percentile on the LM&AI test.

Question: Do the language proficiency surveys you are currently analyzing provide us with the number of limited English-proficent children in homes where the usual language is English?

Answer: Preliminary analysis from ELPS shows that 40 percent of all language minority children are from homes where English is the usual language. About 35 percent of language minority children score below the 25th percentile on English proficiency. However, analyses have not been completed to develop estimates of the number of language minority children who are from homes where the usual language is English and yet who are also limited English proficient. This information will be available in late summer of 1984.

PRIORITY TO PROJECTS INVOLVING PARENTS

Question: The Conference report accompanying the Department of Labor, Health and Human Services, and Education and Related Agencies Appropriations, Fiscal Year 1984, included a statement by the conferees expressing their expectations that the Department of Education give priority to Title VII projects actively involving parents. According to the fiscal year 1985 justification for Bilingual Education, the Department addressed the conference directive merely by stating that all basic grants to school districts require parent advisory councils which are "generally very active" in the projects.

How are you addressing the directive to give priority in funding to basic grants to local educational agencies actively involving parents?

Answer: The Department understood the directive to refer to all Title VII programs, including Training programs, not just the Basic Grants to School Districts program. A number of parent training activities occur in Short-Term Training projects and the Multifunctional Centers, as well as in the Basic Grants to School Districts program. Parent involvement is a priority for funding under the Demonstration program.

The Bilingual Education Act does not contain authority in the Basic Grants program that would enable the Department to give extra priority to districts which actively involve parents. That is, we cannot give preference to a project which proposes to involve parents more than another district does. This would require changing the current law. However, the current program does strongly involve parents in the Basic Grants projects, both through required parent advisory councils and through parent training provided by the project to parents not on the council.

All Basic Grants projects must involve parents on advisory councils in the development of applications and in project

implementation. As part of the screening process for all Basic Grant applications, the Office of Bilingual Education and Minority Languages Affairs requires all applicants to document involvement of the parent advisory council during preparation of their application and to provide written assurance that a parent advisory committee will be involved in project implementation.

The Classroom Instructional Component Study (Development Associates, 1982) found most parent advisory committees to be actively involved in the projects. Most parent advisory committee chairpersons reported being highly involved in school activities, with 72 percent reporting that they visited the schools five or more times throughout the school year to observe or help in the school, attend meetings, or perform other activities. Over two-thirds of the committees reported that they were moderately or very actively involved and that they were involved in a wide range of project-related activities. These included: planning or evaluating the bilingual education project (74 percent), getting community support (80 percent), informing parents of instructional goals (83 percent), serving on committees (70 percent), and having members serve as volunteers in the schools (50 percent).

Committee chairpersons in 75 percent of the projects felt that their committees could help solve project problems; 63 percent reported that their committee often made suggestions to solve problems and that these suggestions were often used by the projects.

The committees take a very active role in involving non-committee parents in the projects. The study reported that 85 percent of the chairpersons reported plans for implementing parent activities such as holding cultural and social events, having parents observe classrooms or perform volunteer work in classrooms, or holding training for parents. About half of these chairpersons were in the process of implementing the plans at the time of the survey.

In addition to activities of the parent advisory committees, many projects hold regularly scheduled training sessions designed to provide parents with insight into bilingual education and with guidance on how to provide support at home for their children's education. Applications by school districts for second or third year funding of a project must include a progress report that includes information on any parent training activities that occurred.

Question: What criteria are you using to assess the level of parental involvement in the basic grants' parent advisory councils?

Answer: The Bilingual Education Act and implementing regulations for the Basic Grants program require that the majority of persons on the parent advisory council must be parents or other representatives of children of limited English proficiency. The regulations require the council to have at least seven members. Applications must include an assurance that the district has complied with these provisions.

All projects have to provide the Office of Bilingual Education and Minority Languages Affairs (OBEMLA) with an annual report showing satisfactory progress toward meeting the goals of the project, which would include a description of advisory committee

participation. Also, OBEMLA staff routinely review advisory committee reports on attendance and meeting events during monitoring visits or by requesting that the information be sent to the Department for review. This helps to verify that projects are indeed involving the committees in program implementation.

EMERGENCY IMMIGRANT EDUCATION PROGRAM

Ouestion: Funds for the Emergency Immigrant Education Program were appropriated in the Second Continuing Resolution (P.L. 98-151). The Continuing Resolution provided that the $30 million be used to fund programs which were consistent with Title V of the House-passed version of H.R. 1340, relating to the Emergency Immigrant Education program. What do you plan to do with the $30 million in fiscal year 1984 funds appropriated for Emergency Immigrant Education?

Answer: The Department's position on the Emergency Immigrant Education program has been that while $30 million in budget authority was provided in the Continuing Resolution, the language in the Continuing Resolution was not sufficient to authorize the expenditure of funds. On March 23, the Comptroller General of the United States reported a rescission of these funds. The Department is analyzing the Comptroller General's decision.

Questions Submitted by Senator Mark Andrews

BASIC GRANTS TO SCHOOL DISTRICTS

Senator Andrews: You have stated that your legislative proposal with respect to the focusing of Basic Grants to School Districts would eliminate the practice of long-term aid funding to certain school districts. It would seem to me that funding for this program was intended to be based on need, not the length of time that assistance has been received. Would you agree?

Answer: Title VII funds are provided on a discretionary basis; that is, school districts apply for funds in competition with other districts. When selecting applications for funding, a number of priorities must be applied according to the law; these include consideration of several types of needs. The priorities are taken into account along with consideration of the quality of the application itself and the extent to which the project proposes to build local capacity to serve the students once Federal funds end.

Title VII has never been designed as a service program, but rather as a demonstration or capacity building effort to improve local ability to help the children without dependence on long-term Federal aid. This goal is incompatible with providing aid to some districts over many years. No district should be able to depend on this program for long-term aid. It is not designed or organized to support that type of activity.

Other Federal and State programs provide long-term aid which is not subject to the uncertainties of competition and the short-range planning which results. Many districts use their Chapter 1 funds for serving limited English proficient children. This is long-term, steady aid for which a district does not have to compete and which

is provided specifically on the basis of need. Refugee Education aid, which helps districts with an influx of limited English proficient refugees, is provided on the basis of a child count not on competition. Many State bilingual education programs distribute funds on a child count, rather than on a competitive basis. These efforts are complementary to the Title VII programs, which focus more on the district's capability than on direct services to children.

Also, ending long-term aid to some districts would enable funding of other districts which have not participated in the program. We have developed a rough estimate that only about 50 percent of the districts with limited English proficient children have participated in this program sinceits beginning in 1969. (A study was funded in 1983 which will refine this estimate and provide more detail on the specific districts which have and have not received Title VII funding.) One theory is that small rural districts without much capability in writing proposals are not very successful in gaining discretionary Federal funds, including those from Title VII. The Administration's legislative proposal to limit funding to a district to five years in total would give less experienced districts a better chance of getting aid in the future, as the program gradually made funds available for new districts.

NUMBER OF LIMITED ENGLISH PROFICIENT CHILDREN

Senator Andrews: What about your estimate that the number of limited English-proficient children in the United States is expected to be lower than the original estimate? Doesn't this imply less need and therefore, that more money could be made available to those districts still requiring assistance?

Answer: The new preliminary estimate of limited English proficient children is 2.4 million children. At that level, the Title VII program serves only about 10 percent of the population, so it still will not be able to act as a service program. However, this does mean that the mix of Federal and State programs for limited English proficient children is likely to be addressing a sizable proportion of the population, thus easing the burden on local school districts.

Senator Andrews: Approximately two-thirds of the 3.6 million children identified as limited English proficient, albeit this figure may be somewhat lower based on your predicted estimate, do not receive assistance from the Bilingual Education programs. The fact is that only 18 percent of the bilingual programs currently in operation receive Title VII funding. If the percentage of Federal support is further reduced, how many children do you anticipate these programs will have the capability to serve?

Answer: The President's budget for 1985 proposes to increase the number of children served by 24,532, from 194,323 in 1984 to 218,855 in 1985 in the Basic Grants and Demonstration programs. There is no decrease planned in Federal support for projects in school districts under Bilingual Education. Further, the estimated number of districts which will participate in the program will increase from 589 in 1984 to 668 in 1985.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will now stand in recess until Tuesday, March 27, when we'll convene at 9 a.m. in room 428–A of the Russell Building to hear testimony on the administration's fiscal year 1985 budget proposal for the Health Resources and Services Administration and the Office of the Assistant Secretary for Health.

[Whereupon, at 10:17 a.m., Wednesday, March 21, the subcommittee was recessed, to reconvene at 9 a.m., Tuesday, March 27.]

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